

BATTLE FOR THE PRESIDENCY

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Clinton Vows He Will Stay and Fight

'I Sinned,' He Says In Apology That Includes Lewinsky

By Brian Knowlton
International Herald Tribune

WASHINGTON — President Bill Clinton declared somberly Friday that "I have sinned," in a speech so emotional and abject — including his first public apology to Monica Lewinsky and her family — that it brought a group of clergymen to their feet.

The address was one of the most extraordinary ever given by this or any other president. "I can think of no comparable speech to this," said Charles Jones, a former president of the American Political Science Association.

Reading from notes Mr. Clinton said he had scribbled down late the night before, he said his was a "broken spirit."

In slow, measured words, he added: "I don't think there's a fancy way to say that I have sinned. It is important to me that everyone who has been hurt know that the sorrow I feel is genuine — first, and most important, my family, my friends, my staff, my cabinet, Monica Lewinsky and her family, and the American people. I have asked all for their forgiveness."

Speaking to religious leaders gathered for an annual meeting with the president, he also described a road map he had drawn for repentance and spiritual rebuilding.

"To be forgiven, more than sorrow is required, at least two more things," he said. "First, genuine repentance, a determination to change and to repair breaches of my own making. I have repented."

"Second, what my Bible calls a broken spirit, an understanding that I must have God's help to be the person that I want to be, a willingness to give the very forgiveness I seek, a renunciation of the pride and the anger which cloud judgment, lead people to excuse and compare and to blame and complain."

In many ways, the speech included all the touchstones and evident contriteness that some advisers hoped would be in his Aug. 17 address to the nation.

At that time, he acknowledged having had an "inappropriate" affair with Ms. Lewinsky. But he also harshly attacked the independent counsel, Kenneth Starr, for mounting a four-year investigation of the president. That, said political opponents and some supporters, showed a failure by Mr. Clinton to accept fully that the fault was his and that blame could not be placed elsewhere.

But even one of his closest friends and spiritual advisers, the Reverend Jesse Jackson, acknowledged Friday that in some ways the speech might have come too late.

"Had it been projected as little as two weeks ago," Mr. Jackson said on CNN, "it would have made a profound difference." Then he added, "It can still make a profound difference."

Mr. Clinton, while saying the Lewinsky matter would always serve "as a caution light in my life," added that "it is very important that our nation move forward."

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President and Mrs. Clinton at a memorial service Friday for victims of terrorism.

A Power Vacuum at the Top

By David E. Sanger
New York Times Service

WASHINGTON — Washington has been so distracted by President Bill Clinton's troubles, by the slow-motion collapse of the Russian government and by the continuing meltdown of Asia that few in the U.S. capital have had time to consider what could set off the next wave of economic turmoil.

So it was no accident that after a cabinet meeting late Thursday afternoon, Treasury Secretary Robert Rubin appeared on television to underscore that the president is "intensely focused" on world economic events, even while

he fights for political survival and apologizes for what Mr. Rubin termed "terrible mistakes."

Mr. Rubin made an oblique argument that keeping the president in his job was essential, saying this is "a time when the world has only one leader who understands these issues."

This week, Washington and Wall Street, two universes rarely in sync, got a taste of what may be coming.

The images on Wednesday of Kenneth Starr's boxes of evidence landing on Capitol Hill helped propel the U.S. markets to another

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Public Is Given Details of Report, And a Rebuttal

By Brian Knowlton
International Herald Tribune

WASHINGTON — The titanic struggle over the presidency was engaged Friday after the House of Representatives made public the report by the independent counsel accusing President Bill Clinton of impeachable offenses, and the president mounted a determined two-track defense and vowed not to resign.

With details of his relationship with Monica Lewinsky flashed around the world on television and the Internet, Mr. Clinton issued his most striking public apology yet, and his legal team described the allegations as nothing more than "the details of a private sexual relationship, told in graphic details with the intent to embarrass."

But prosecutors argued that they were providing the graphic detail to prove that Mr. Clinton lied before the grand jury.

The 445-page report from the independent counsel, Kenneth Starr, alleges that Mr. Clinton "engaged in a pattern of conduct that was inconsistent with his constitutional duty to faithfully execute the laws."

Strikingly, the report from the independent counsel, whose inquiry began four years ago with an examination of a complicated land deal called Whitewater

A partial text of the Starr report is on Page 4. The text of Mr. Clinton's rebuttal is on Page 5.

and traveled to investigations involving the White House travel office and the administration's use of FBI files, finds no offense by the president in any of those areas that would merit impeachment, according to early examinations of the report's content. (Page 3)

The transmission of the document to Congress began a process that could lead to impeachment.

The document asserted that Mr. Clinton was guilty of criminal charges of perjury, witness tampering and obstruction of justice.

It also charges him with abuse of his presidential powers, not a criminal violation but a possible basis for impeachment.

Mr. Clinton said that he had instructed his lawyers "to mount a vigorous defense using all available, appropriate arguments."

His spokesman, Michael McCurry, said that Mr. Clinton "absolutely" intended to remain in office.

White House lawyers, moving quickly to stem what could be critical political damage, issued a 73-page response even before seeing the Starr document. It said, in effect, that the president had made mistakes and misled some people, but had committed no impeachable offense.

The White House sent copies of its response to leaders of Congress.

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The Gloom Darkens For Japan

Economy Slipped At a Faster Pace; Nikkei Falls 5.11%

By Sheryl WuDunn
New York Times Service

TOKYO — In the starkest sign yet of the depth of Japan's recession, the government said Friday that the economy contracted in the second quarter by an annual rate of 3.3 percent, nearly twice as steep a fall as most economists had expected.

This marked the first time that Japan's economy had contracted for three consecutive quarters since the government began keeping such statistics in 1955. Moreover, the data suggest that the core of the economy slid even more rapidly than it did earlier in the year.

"The Japanese economy is probably about to go through its darkest moment," said Taisi Sakaiya, Japan's top economic official, at a press conference after the figures were announced. "Tough times will continue."

That spells trouble for other crisis-hit countries in Asia and elsewhere. As the world's second-largest economy, Japan plays a major role in influencing the trend of growth in the global economy.

Even before the report was released, stocks in Tokyo spiraled downward in their biggest single-day decline so far this year on the busiest day of trading. The benchmark Nikkei 225-stock index plunged 5.11 percent from its previous close to end at 13,916.98, down 749.05 points, mainly spurred by doubts about the econ-

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The Dollar			
	Friday 4 P.M.	previous close	
New York	1.6943	1.684	
DM	1.6943	1.684	
Yen	130.675	134.4	
FF	5.679	5.648	
Pound	1.6728	1.6903	
The Dow			
	Friday close	percent change	
Dow Jones	7,795.50	+2.36%	
S&P 500	1,009.06	+2.95%	
Nasdaq	1,641.85	+3.55%	

Newsstand Prices	
Bahrain	1,000 BD 55 c
Cyprus	C £ 1.00 12500 Nakla
Denmark	14.00 DKr 10.00 QR
Finland	12.00 FM 10.00 QR
Gibraltar	£ 0.05 Rep. Ireland, IR £ 1.00
Great Britain	£ 0.90 Saudi Arabia, R12 + VAT
Egypt	£ 5.50 U.A.E. 10.00 Dh
Jordan	1,250 JD U.S. M. (Eur) \$ 1.20
Kenya	K Sh 180 U.S. M. (Eur) \$ 1.20
Kuwait	700 Fls 200000

A Country Troubled About Values

For Many Americans, Scandal Is a Symptom of Moral Decline

By Richard Morin
and David S. Broder
Washington Post Service

WASHINGTON — For many Americans, the White House scandal is just the latest symptom of broad and deep moral decline. Everywhere they look — in the newspaper, on television, in their own neighborhoods and even within their own families — they see eroding values.

An in-depth study of the values Americans espouse suggests why President Bill Clinton's extramarital dalliance with Monica Lewinsky angers and upsets so many people — and why the country has been so reluctant to punish him politically for behavior it considers wrong.

On one hand, Mr. Clinton has confronted the country with a sample of what three out of four of his constituents see as a dangerous decline in the values on display in the national culture. They

link the White House escapade to their broader worries about the lack of respect for tradition and authority, to the coarse content of the movies, television and music, to personal dishonesty and sexual promiscuity.

At the same time, Mr. Clinton has become a test case of whether this generation of Americans wants to sit in judgment on each other or be willing to live and let live.

More than 7 in 10 said adultery was unacceptable and "should not be tolerated." Yet when it comes to Mr. Clinton, what the public says and what it means are two different things: Fewer than half of those who said adultery "should not be tolerated" said Mr. Clinton's affair with Ms. Lewinsky was an important matter. Twice as many said it was important whether he had lied about it or encouraged Ms. Lewinsky to lie.

The survey, conducted by The Washington Post in collaboration with Har-

vard University and the Henry J. Kaiser Family Foundation, was virtually complete before the president's Aug. 17 speech acknowledging the widely suspected relationship with Ms. Lewinsky.

Mr. Clinton's actions are not viewed in isolation. They come at a time when many Americans are also upset by what they regard as other threatening social trends, from alcoholism to sexual harassment to homosexuality to homelessness.

Coming to judgment on Mr. Clinton requires resolving a complex of considerations. The survey found that 9 out of 10 Americans consider it unacceptable for a married person to have a sexual affair. The condemnation for that behavior was far stronger than for bearing a child out of wedlock, marijuana smoking or same-sex marriage.

Only one respondent in five said that

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For First Time, Mrs. Clinton Emphasizes Her Forgiveness



Hillary Rodham Clinton, appearing with the president, declared her pride and admiration for her husband. Her spokeswoman said the first lady "stresses her support, her love and her forgiveness" for her husband. Previous statements expressed love and support, but this was the first to use the word "forgiveness." Page 3.

Dismay and Anger in Europe

Whether they felt he should stay or go, newspapers across the Continent expressed concern and anger over the situation in Washington. Some were fearful over the worldwide impact of impeachment or resignation, while others called on the president to step down. Page 7.

How to Get It on the Internet

Internet links to the report by Kenneth Starr and the White House rebuttal are available at the IHT web site: www.ihf.com. The reports and related text can also be found at www.washingtonpost.com and at www.nytimes.com.

Primakov Wins Strong Duma Support



Yevgeni Primakov awaiting vote.

Prime Minister Pleads for Time on Economy

By Daniel Williams
Washington Post Service

MOSCOW — The Russian Parliament overwhelmingly approved Yevgeni Primakov as prime minister on Friday after hearing him propose two Soviet-era "apparatchiks" for key economic posts.

Mr. Primakov promised to end unbridled capitalism, but also to continue with free-market reforms.

In a speech before the vote in the State Duma, the lower house, Mr. Primakov pleaded that he needed some time to work out a detailed economic plan.

Nonetheless, his first two appointments indicated a sharp turn away from the free-market approach that started to dominate Russian economic policy

after the collapse of the Soviet system in December 1991.

The vote was 315 for Mr. Primakov and 63 against, with 15 abstentions. Communists and conservative, rural-oriented parties were joined by economic liberals in endorsing Mr. Primakov.

The confirmation was swift. The entire Duma session lasted less than two hours.

There was a reason for the rush. Russia is in swift decline, with tens of thousands of citizens deprived of access to savings in bankrupt banks, still others losing jobs as businesses close and with shoppers clearing stores of foodstuffs.

The ruble is in wild gyrations and

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Battle for the Presidency / The White House Rebuttal

The Associated Press
The following was issued by the White House on Friday. (In the text, OIC refers to Kenneth Starr's Office of Independent Counsel.)

Summary of Key Points of the President's Case in Anticipation of the Starr Report

1. The President has acknowledged a serious mistake — an inappropriate relationship with Monica Lewinsky. He has taken responsibility for his actions, and he has apologized to the country, to his friends, leaders of his party, the cabinet and most importantly, his family.

This private mistake does not amount to an impeachable action. A relationship outside one's marriage is wrong — and the President admits that. It is not a high crime or misdemeanor. The Constitution specifically states that Congress shall impeach only for "treason, bribery or other high crimes and misdemeanors." These words in the Constitution were chosen with great care, and after extensive deliberations.

2. "High crimes and misdemeanors" had a fixed meaning to the Framers of our Constitution — it meant wrongs committed against our system of government. The impeachment clause was designed to protect our country against a President who was using his official powers against the nation, against the American people, against our society. It was never designed to allow a political body to force a President from office for a very personal mistake.

3. Remember — this report is based entirely on allegations obtained by a grand jury — rumors and hearsay of allegations and purported "evidence"

that would never be admitted in court, that has never been seen by the President or his lawyers, and that was not subject to cross-examination or any other traditional safeguards to ensure its credibility.

4. Grand juries are not designed to search for truth. They do not and are not intended to ensure credibility, reliability, or simple fairness. They only exist to accuse. Yet this is the process that the Independent Counsel has chosen to provide the "evidence" to write his report.

5. The law defines perjury very clearly. Perjury requires proof that an individual knowingly made a false statement while under oath. Answers to questions that are literally true are not perjury. Even if an answer doesn't directly answer the question asked, it is not perjury if it is true — no accused has an obligation to help his accuser. Answers to fundamentally ambiguous questions also can never be perjury. And nobody can be convicted of perjury based on only one other person's testimony.

6. The President did not commit perjury. Most of the illegal leaks suggesting his testimony was perjurious falsely describe his testimony. First of all, the President never testified in the Jones deposition that he was not alone with Ms. Lewinsky. The President never testified that his relationship with Ms. Lewinsky was the same as with any other intern. To the contrary, he admitted exchanging gifts with her, knowing about her job search, receiving cards and notes from her, and knowing other details of her personal life that made it plain he had a special relationship with her.

7. The President has admitted he had

an improper sexual relationship with Ms. Lewinsky. In a civil deposition, he gave narrow answers to ambiguous questions. As a matter of law, those answers could not give rise to a criminal charge of perjury. In the face of the President's admission of his relationship, the disclosure of lurid and salacious allegations can only be intended to humiliate the President and force him from office.

8. There was no obstruction of justice. We believe Betty Currie testified that Ms. Lewinsky asked her to hold the gifts and that the President never talked to her about the gifts.

The President admitted giving and receiving gifts from Ms. Lewinsky when he was asked about it. The President never asked Ms. Lewinsky to get rid of the gifts and he never asked Ms. Currie to get them. We believe that Ms. Currie's testimony supports the President's.

9. The President never tried to get Ms. Lewinsky a job after she left the White House in order to influence her testimony in the Paula Jones case. The President knew Ms. Lewinsky was unhappy in her Pentagon job after she left the White House and did ask the White House personnel office to treat her fairly in her job search. He never instructed anyone to hire her, or even indicated that he very much wanted it to happen. Ms. Lewinsky was never offered a job at the White House after she left — and it's pretty apparent that if the President had ordered it, she would have been.

10. The President did not facilitate Ms. Lewinsky's interview with Bill Richardson, or her discussions with Ver-

non Jordan. Betty Currie asked John Podesta if he could help her with her New York job search which led to an interview with Bill Richardson, and Ms. Currie also put her in touch with her longtime friend, Mr. Jordan. Mr. Jordan has made it clear that this is the case, and, as a private individual, he is free to offer job advice wherever he sees fit.

11. There was no witness tampering. Betty Currie was not supposed to be a witness in the Paula Jones case. If she was not called or going to be called, it was impossible for any conversations with the President had with her to be witness tampering. The President testified that he did not in any way attempt to influence her recollection.

12. There is no "talking points" smoking gun. Numerous illegal leaks painted the mysterious talking points as the proof that the President or his staff attempted to suborn the perjury of Monica Lewinsky or Linda Tripp. The OIC's spokesman said that the "talking points" were the "key" to Starr even being granted authority to investigate the President's private life. Yet in the end, Ms. Lewinsky has apparently admitted the talking points were written by her alone (or with Ms. Tripp's assistance), and the President was not asked one single question about them in his grand jury appearance.

13. Invocation of privileges was not an abuse of power. The President's lawful assertion of privileges in a court of law was only made on the advice of his Counsel, and was in significant measure validated by the courts. The legal claims were advanced sparingly and as a last resort after all attempts at compromise by the White House Counsel's office

were rejected to protect the core constitutional and institutional interests of this and future presidencies.

14. Neither the President nor the White House played a role in the Secret Service's lawful efforts to prevent agents from testifying to preserve its protective function. The President never asked, directed or participated in any decision regarding the protective function privilege. Neither did any White House official. The Treasury and Justice Departments independently decided to respond to the historically unprecedented subpoenas of Secret Service personnel and to pursue the privilege to ensure the protection of this and future presidents.

15. The President did not abuse his power by permitting White House staff to comment on the investigation. The President has acknowledged misleading his family, staff and the country about the nature of his relationship with Ms. Lewinsky, and he has apologized and asked for forgiveness. However, this personal failing does not constitute a criminal abuse of power. If allowing aides to repeat misleading statements is a crime, then any number of public officials are guilty of misusing their office for as long as they fail to admit wrong doing in response to any allegation about their activities.

16. The actions of White House attorneys were completely lawful. The White House Counsel attorneys provided the President and White House officials with informed, candid advice on issues raised during this investigation that affected the President's official duties. This was especially necessary given the fact that impeachment proceedings against the President were a possible result of the

OIC's investigation from Day One. In fact, throughout the investigation, the OIC relied on the White House Counsel's office for assistance in gathering information and arranging interviews and grand jury appearances. The Counsel's office's actions were well known to the OIC throughout the investigation and no objection was ever voiced.

This means that the OIC report is left with nothing but the details of a private sexual relationship, told in graphic details with the intent to embarrass. Given the flimsy and unsubstantiated basis for the accusations, there is a complete lack of any credible evidence to initiate an impeachment inquiry concerning the President. And the principal purpose of this investigation, and the OIC's report, is to embarrass the President and titillate the public by producing a document that is little more than an unreliable, one-sided account of sexual behavior.

Where's Whitewater? The OIC's allegations reportedly include no suggestion of wrongdoing by the President in any of the areas which Mr. Starr spend four years investigating: Whitewater, the FBI files and the White House travel files. What began as an inquiry into a 24 year old land deal in Arkansas has ended as an inquest into brief, improper personal encounters between the President and Monica Lewinsky. Despite the exhaustive nature of the OIC's investigation into the Whitewater, FBI files and travel office matters, and a constant stream of suggestions of misconduct in the media over a period of years, to this day the OIC has never exonerated the President or the First Lady of wrongdoing.

Clinton's Woes Pose Re-election Hurdle for Women in Senate

By Francis X. Clines
New York Times Service

WASHINGTON — There is a grim joke current among Senators Barbara Boxer, Carol Moseley-Braun and Patty Murray, the victors of the "Year of the Woman" elections of 1992, when the notion that some male politicians "just don't get it" helped drive their successful campaigns.

"Now we're running again in what we call the 'Year of the Woman-Target,'" Ms. Moseley-Braun said, noting that all three Democratic women, who first won amid a wave of voter concern about the issue of sex and politics, are in tight re-election races.

Campaigning, they made a banner issue of sexual harassment in the workplace, brought to prominence in Anita Hill's testimony at Supreme Court confirmation hearings for Clarence Thomas. The new senators then pushed forward the Senate ethics process that led to the resignation of Bob Packwood in the face of allegations of sexual misconduct.

The report on the president's conduct, landing in Congress as the senators' campaigns are in the home stretch, may only compound their political vulnerability. The Year of the Woman victors have had to rebut criticism that they have been more considerate of the president than they were of Mr. Packwood. "I was personally hurt, because I was going around saying I believed in the president," Ms. Moseley-Braun said as political unease swept Democratic ranks with the release of the Starr report. "I was caught flat-footed by his admitting he lied. I was not a happy camper."

Opponents have not missed the openings for sound bites. "Barbara, your silence on this issue is deafening," California Treasurer Matt Fong, Ms. Boxer's opponent, told her in a debate last month.

One of Ms. Murray's opponents, Representative Linda Smith of Washington, makes a similar accusation, playing on the senator's "mom in tennis shoes" campaign image. "She seems to have traded in her tennis shoes for a pair of Hush Puppies," she tells state voters, referring to a footwear brand.

Ms. Murray, who describes herself as "upset and angry" with the president for his private behavior, insists that her constituents are concerned about health care, education and other issues, not the president's conduct. "They aren't focused on that," she said at a rally in her home state. "They are focused on what is real to them."

Republicans say the problem posed by Mr. Clinton for his party's candidates is far broader than gender politics. "Democrats are running from the president like scalded dogs," said Mary Crawford, spokeswoman for the National Republican Congressional Committee.

"And for women who have been outspoken in other situations, where Republicans were the focus of scrutiny, to take a different stance now will raise another eyebrow among the public," she said.

Privately, Democratic candidates fear that Mr. Clinton's problems risk making this the Year of the Albatross for them. The president conceded as much Wednesday during a Florida visit when he thanked a local candidate just for being at his side. "Now that he's stuck up for me, he may be in some

sort of a political disadvantage," the candidate said.

Ms. Boxer, after a solid month of campaigning in California, quickly took to the Senate floor this week before the impeachment report arrived to put her criticism of the president's personal behavior in the official record.

But she pleaded no less that other issues of her campaign not become engulfed by the impeachment storm. "We could have another Year of the Woman as a result of all this," Ms. Boxer said Wednesday when asked how female candidates and voters might be affected by tales of the president's behavior that spill out from the independent counsel's report.

"It's possible," she said. "Or the opposite is possible. We could have a depressed turnout. It's volatile."

The president could have made things easier this campaign season by coming clean months ago, Ms. Boxer said. "But if I lose it's my fault," she said.

Like a Rerun, Clinton Keeps Saying 'Sorry'

New York Times Service

Since President Bill Clinton's address to the nation last month, in which he acknowledged having had an "inappropriate relationship" with Monica Lewinsky, he has spoken several times about his regrets and remorse. Following are excerpts.

Aug. 17 (in a televised address to the nation):

"Indeed, I did have a relationship with Ms. Lewinsky that was not appropriate. In fact, it was wrong. It constituted a critical lapse in judgment and a personal failure on my part for which I am solely and completely responsible."

"I know that my public comments and my silence about this matter gave a false impression. I misled people, including my wife. I deeply regret that."

Sept. 2 (at a Kremlin news conference in Moscow):

"I have acknowledged that I made a mistake, said that I regretted it, asked to be forgiven, spent a lot of very valuable time with my family in the last couple of weeks and said I was going back to work."

"I thought it was clear that I was expressing my profound regret to all who were hurt and to all who were involved, and my desire not to see any more people hurt by this process and caught up in it."

Sept. 4 (during a picture-taking session in Dublin with Ireland's prime minister):

"I've already said that I made a bad mistake, it was indefensible and I'm sorry about it. So I have nothing else to say except that I can't disagree with anyone else who wants to be critical of what I have already acknowledged was indefensible."

Sept. 9 (at an afternoon fundraiser in Orlando, Florida, for Lieutenant Governor Buddy Mackay, the Democratic candidate for governor):

"I have been your friend. I've done my best to be your friend. But I also let you down, and I let my family down, and I let this country down. But I'm trying to make it right. And I'm determined never to let anything like that happen again. So I ask for your understanding, for your forgiveness on this journey we're on."

And in Coral Gables, Fla.: "I've tried to do a good job taking care of this country, even when I haven't taken such good care of myself and my family, my obligations. I hope that you and others I have injured will forgive me for the mistakes I've made."



Tom Daschle leaving a meeting with the president and Senate colleagues.

Web Lets Americans Judge Clinton's Behavior Instantly

Washington Post Service

WASHINGTON — When the 445-page summary of independent counsel Kenneth Starr landed on the Internet on Friday afternoon, it hardly started an on-line dissection of President Bill Clinton.

Despite what Congress or party leaders might decide, hundreds of thousands of people have been conducting "impeachment hearings" on Mr. Clinton in newsgroups and on Web sites for months.

The global network of computers has caused a major change in the way American society views its public affairs.

A similarly thorough shift occurred in 1954 when another new technology, television, altered public opinion with live broadcasts of the Army-McCarthy hearings. Television allowed Americans to see their representatives at work as they investigated Senator Joseph McCarthy's conduct.

The Internet, which encourages millions of people to process the accusations against the president and their implications at the speed of light, has

been a major factor in the scandal.

Many have watched the saga unravel on their computer screens, from Matt Drudge's early leak of a Newsweek story about Mr. Clinton's relationship with an intern to Monica Lewinsky's alleged home page on America Online to Mr. Starr's report. Along the way, public outrage has ebbed and flowed on message boards, in chat rooms and in on-line political discussions.

Anti-Clinton and impeachment-oriented Web sites and newsgroups abound. The newsgroup *alt.impeachment.clinton*, at www.dejanews.com, has been a hub of hubbub.

"Clinton is great — impeach the Republicans," one loyalist wrote Thursday.

To which someone replied, "Impeach them all, especially if they fail to impeach Clinton."

One adult site, *These Underground*, has started a poll titled "Should Clinton Be Impeached?" With nearly 1,200 votes in, 61 percent of the respondents said "yes."

Reaping the Whirlwind, At a Still Unknown Cost

Something's Going to Happen, Ex-Senator Says As Tourists Marvel at the Hordes of TV Crews

By Francis X. Clines
New York Times Service

WASHINGTON — Bracing himself for a long, tough defense of President Bill Clinton, the Senate minority leader, Tom Daschle, was the first to stand before open microphones and yearn for "closure," the cliché word of modern tragedy and its wished-for ending by stricken participants.

His counterpart in the House, Dick Gephardt, the minority leader, seemed no less dolorously burdened by the prospect of an impeachment process.

"We don't do this often, thankfully," he said Thursday, speaking outside the chamber while lawmakers within, as if in escape, talked of such issues as migratory bird-hunting regulations and the English Language Fluency Act.

"You do not overturn an election of the American people on a whim," Mr. Gephardt said darkly. Six blocks away, the Starr report rested through what was a generally excruciating day of waiting on Capitol Hill, a boxed-up epic under lock and armed guard, ready to be cued up for its presentation Friday to the lawmakers and the nation.

The obscure federal building where it rested on 2d Street Southwest — the Gerald R. Ford House Office Annex — was the first evidence for many denizens that anything here was ever named for Mr. Ford, the former House speaker who rose to the presidency in the Watergate scandal and now a celebrity golfer.

Mr. Ford remains a smiling witness to all troubled participants in the Clinton sex scandal inquiry of 1998 that this, too, shall pass away.

Television crews waited outside the nondescript Ford building, as if the scandal report might osmotically appear a day early as the leak of all leaks. The crews have been following its path by government van through Washington traffic as an overture to the impeachment inquiry that eerily summons images of the Bronco ride of O.J. Simpson, before his murder trial.

"Clinton will survive," Doty, the waitress at the Market Inn, down the block from the Ford building, said with certainty as she took a break in the day's breezy sunshine. "I hear them all at the bar saying what a joke it is, everybody laughing about Clinton, saying it's his wife's business, nobody else's."

But most laughter tended to fade to fade toward Capitol Hill, where a mood of political wretchedness seemed to mark the day as the eve of something explosive

and all consuming, of a whirlwind to be reaped at some still unknown cost.

"I feel sadness," said Gloria Steele, a 61-year-old retiree visiting from Louisville, sitting on a shaded park bench as the Capitol dome gleamed gloriously against the blue sky. "We'll be changed by these events with Clinton, by the lack of trust. I grew up in an era when presidents and Sunday school teachers were role models."

Her husband, Sam, was quietly fretful at what he described as the "greed-driven, money-driven" world of Washington politics.

"That's the cancer, the money," he said, nodding toward the Capitol. "It's the moral compass for the people who can survive in the political system we have structured — the Bill Clintons of the world."

The Steeles moved up the Capital garden path past a cable-strewn pen where, as the noon hour approached, a mass of assorted television reporters poised at a thicket of cameras suddenly gathered their thoughts and primped their hair in near union, seconds before the midday bulletin.

A group of foreign tourists seemed intrigued. "I've never seen so many of the TV people here — for reasons that I don't need to verbalize," their guide, David Loving, announced loudly. "I don't know what to give you first — current politics or history. I guess I'll give you history because at least it's standing still."

But as he talked of architecture, the foreigners eyed the communications commotion. Jacques Feder, another tour guide, said, "They keep asking me how can Americans be so obsessed with sex? It's so banal."

On camera, the reporters' tone was far more breathless than banal as they talked to America of looming constitutional crisis.

Watching and listening from afar, an old Washington hand, Alan Simpson, retired senator of Wyoming, stayed in touch with his old Washington buddies from his new perch as director of the Institute of Politics at Harvard's Kennedy School of Government.

"The engines in Washington are melting!" he boomed in one phone conversation, offering parody, but withfulness, too. "I can smell it: the energy level. The excitement level. It's out there. It's a huge generator. It's whirling. It's burning its bearings."

"Something's going to happen. Is it impeachment? Is it resignation?"

POLITICAL NOTES

British Are Betting Clinton Will Quit

LONDON — A British gambling firm reported a flood of bets Friday on how long Bill Clinton will remain the U.S. president, most from bettors expecting him to quit within months.

"There has been an enormous amount of trade," said Patrick Jay, head of the sports operation, called IG Index, which also handles political bets.

IG Index operates on a different basis from ordinary bookmakers. Instead of offering odds on a particular outcome, it quotes a "spread."

The "spread" on Mr. Clinton's term of office, which has already lasted 20 months, is 25 to 29 months.

If Mr. Clinton left office this weekend, for example, a bettor taking a "short" position would be paid five times his or her stake. But if Mr. Clinton served out his full 48-month term, the bettor would owe IG 23 (48 minus 25) times the stake.

Conventional bookmakers are declining for now to open a book on Mr. Clinton. (Reuters)

Senate Vote Blocks Financing Reform

WASHINGTON — The Senate has again blocked action on legislation to tighten the nation's campaign finance laws, dooming its last flickering chance for passage this year.

Unmoved by House approval of a similar measure last month, Republican foes of the bill held firm as the bill — for the second time this year — won support of a majority of senators but fell eight votes short of the 60 needed to force it to passage. The vote Thursday was 52 to 48.

Democratic backers of the bill vowed to continue pushing for approval of the measure before Congress adjourns next month.

"We will proceed on the issue this year until we get the job done," said Senator Russell Feingold of Wisconsin, the chief Democratic sponsor of the bill, indicating he intends to bring it up as an amendment to other bills. (WP)

Setback to Inquiry On Fund-Raising

WASHINGTON — A federal judge has delivered a harsh setback to Attorney General Janet Reno's campaign finance investigation, throwing out much of the government's case against Maria Hsia, a Democratic fund-raiser after finding that it was built on a prosecution theory that "defies logic."

U.S. District Judge Paul Friedman dismissed five of six felony charges Thursday against Ms. Hsia, one of the few key figures indicted in the 22-month Justice Department investigation of alleged fund-raising abuses by the 1996 Clinton-Gore re-election effort. Ms. Hsia first came to public attention for her role in organizing a 1996 campaign event held at a California Buddhist temple that was attended by Vice President Al Gore. (WP)

For the Record

Senate Republican leaders have generally agreed to a House Republican proposal to dip into the budget surplus to finance a \$70 billion to \$80 billion tax cut, setting the stage for a confrontation with President Bill Clinton. Mr. Clinton opposes using any budget surplus for tax relief and instead wants to focus on using the surplus to solve the financial difficulties of the Social Security program. (WP)

ART

Drama in Details

Pieter de Hooch, a Dutch Master Who Elevated the Ordinary

By Souren Melikian
International Herald Tribune

LONDON — It took 314 years for one of the great masters of Dutch art to be awarded the honor of a one-man show. Is it because Pieter de Hooch (1629-1684), who died in a madhouse at the age of 55, was so poor and solitary that no one recorded his death, excepting the scribe of a parish register?

As they walk through the admirable show, on view until Nov. 15 at the Dulwich Picture Gallery, some may scrutinize the 41 pictures that cover the 20 years or so of his creative period in search of early signs of De Hooch's sickness. There aren't any, with the possible exception of the last picture, "A Musical Company in a Courtyard," dated 1677, which betrays uncharacteristic clumsiness.

If ever there was a painter that seemed untroubled, this is Pieter de Hooch. There is a quietness about his pictures that singles him out. While Rembrandt probed the unfathomable tragedy of the human condition, De Hooch set out to capture those silent moments when barely formulated emotions are triggered by a sound, a look, a gesture, a set of trifling circumstances.

He did so from the beginning, even when his first pictures, inspired by tavern scenes of Adriaen Brouwer or his Rotterdam followers, could have sunk to the level of genre painting.

Nothing is further removed from Brouwer's penchant for the picture-quasi-satirical than De Hooch's art. In "The Merry Drinker," the bibulous character raising his glass, far from being funny, looks sinister, as does the second drinker in a big hat. Across the table, an elderly man seems to have been smitten by anxiety. The darkness of the rest of the room matches the threatening mood.

Another picture, on loan from the Hermitage, which might have been flip-pant, has the gravity of a parable. A middle-aged woman peeling potatoes while she gathers in her folded apron smiles, radiant with surprised pleasure, as a cavalier in fashionable attire bows to her, hat in hand, offering her a glass of wine. The shadow of a smile plays on his lips. But this is no mockery. It is an unexpected courtesy from a traveler on his way who has been put up for the night in a modest house and it takes place under her husband's eye. There is no suggestion of dalliance.

A unique aptitude for identifying with others regardless of age and condition appears to have inspired De Hooch with a fascination for these brief encounters of daily life, when humans sound each other out. Alone among 17th-century artists, De Hooch endlessly scrutinized the rap-

port between mothers and daughters. In a courtyard scene set in a poor Delft neighborhood, a woman washing her laundry in a bucket pauses as she looks down at a little girl of 6 or 7 standing awkwardly. A silent smile lights up her face. It could have been soapy. Instead, it is as vigorous as it is understated.

In another scene set in wealthier surroundings, a little girl kneels in front of her mother, burying her head in her skirts while the mother gently runs her hands through her daughter's hair. A soft late morning light comes in at a slant through a high window and makes the waxed brick red tiles of the floor gleam. A small dog seated on its hind legs, its back turned to the viewer, watches the pair in hopeful expectation. This scene of intimate exchange without words is one of the most poetical pictures painted in 17th-century Holland.

Deeply responsive to human relationships, the artist made observations not often found in his contemporaries' works. The frowning resentment of a serving woman standing in a courtyard with a stoneware jug in one hand and a bucket in the other, head bent toward her mistress who sits in a chair, busily spinning, is keenly observed. The cruelty of the situation is emphasized by the peaceful harmony of the surroundings.

NOT much escaped the painter's unforgiving lucidity. Portraying a whole family in a Delft courtyard, De Hooch painted a compressed version of "The Human Comedy." There is the well-dressed middle-aged bourgeois who fancies himself mightily, standing one arm akimbo next to his wife. She looks every bit as smug as she lifts her skirt in an attempt at gentility, with a smile feigning amusement. There is the frail-looking elderly woman with pursed lips and hair dyed orange who sits at a table resolutely ignoring a couple from her own generation, perhaps her sister and brother-in-law. Behind, it would seem, tragedy looms. A cavalier walks toward the viewer, looking distraught. Two steps up, a man inspects the scene with an imperious expression. It is all subtly indicated. One almost wonders whether the tension is real or imagined.

Some of De Hooch's paintings have a Henry Jamesian ambiguity. In a palatial residence, a young woman on whose pretty face the onset of coming middle age leaves a shadow smiles at a cavalier. The man in a wide-brimmed hat holds his slender pipe with a mix of self-conscious affectation and insolence. Both are watched by an elderly couple — he with a jug, ready to pour out more wine, she looking rather anxious. On the wall, a picture, "Jesus and the Adulteress," flashes a warning while in the



Detail of "The Merry Drinker" by Pieter de Hooch.

distance a silver statue of Mercury, the god of commerce and the protector of thieves, introduces an even more somber nuance.

By the mid-1660s, De Hooch was sufficiently well known to be mostly portraying the high and mighty. He remained as fascinated as ever by emotions experienced in ordinary situations. In a rich house, a young girl in her teens flashes a smile at her older sister while a cavalier fustily dressed puffs at his pipe, with one leg crossed over the other. Every detail speaks of wealth, but not all is well in the best of worlds. Over a monumental Dutch armchair, a Mannerist painting deals with the theme of "Adam and Eve Embracing After the First Fall."

Around 1668-70, De Hooch painted one of his last masterpieces. A woman in expensive clothes nervously presses her lap dog against her body as she reads a letter with intense concentration. She is in shock, while a youthful messenger

stares out of a window, with a bored look as he sips some wine. Behind, in the dark, a pregnant woman turns her head with a weary smile to glance at her.

The painter's career was drawing to a close. He probably sank into poverty, for in 1674 he did not make it to the tax register. We know nothing about the onslaught of madness. No detail is available from the moment the youngest of De Hooch's seven children was christened in 1672 until his death in an Amsterdam madhouse in 1684. The man who probed the innermost feelings of others died in the solitude of a mind that no longer communicated with others.

The pace of the exhibition hung with elegant simplicity enhances the drama. The book written by Peter Sutton gathers all the facts about this fascinating master from a poor working class background. But as the reader closes it, he is still left without a clue as to the private thoughts of an artist who left no writings.

VENICE FILM FESTIVAL

Dredging Around For Promising Movies

By Roderick Conway Morris
International Herald Tribune

VENICE — "No worst, there is none," as the Victorian poet Gerard Manley Hopkins wrote in the grip of a black mood, and the line was beginning to look like a suitable epitaph for the bulk of the proposals screened at the Venice Film Festival, which ends Saturday.

Of the latest batch of in-competition films, Pat O'Connor's "Dancing at Lughnasa" held out some hope. Based on a successful stage play by Brian Friel, it is set in the mid 1930s in the depths of Eamon de Valera's Catholic rural Ireland, with pagan undertones provided by the local survival of the pre-Christian Lughnasa harvest festival.

Schoolmarm Kate (Meryl Streep) rules a family of five sisters with an iron rod, the only men in the household being Michael (winningly played by Darrell Johnston), the 8-year-old illegitimate son of Christina (Catherine McCormack), and a frail, dotty uncle, Father Jack Mundy (Michael Gambon), who has just returned from 25 years as a missionary in Africa, having gone native, and lost his marbles along with his religious faith.

The gradual decline of the women into terminal disappointment and bucolic imbecility is momentarily arrested by tensions created by a visit from Michael's absentee father, Gerry Evans (Rhys Ifans), about to depart for (where else?) the Spanish Civil War to join (what else?) the International Brigade.

The cinematography is lush, although judging by the endless number of sunny days in the film, the summer of 1936 must have been the driest in Irish history. The accents would indicate that the various members of the family seem to come from different regions of the Emerald Isle, and the film ends up an unsustaining potage of nostalgia, blarney and baloney.

Other in-competition candidates, the Portuguese Joao Botelho's "Trafico" (Traffic), the Romanian Lucian Pintilie's "Terminus Paradis" (Last Stop Paradise) and the Italian Gianni Amelio's "Costi Ridevano" (officially translated as "The Way We Laughed"), were all depressingly representative of certain self-indulgent, self-regarding tendencies in art-house cinema that seem to equate seriousness with the mind-numbing lingering shot and stultifying boredom.

Happily, toward the end of the week, like a meteor illuminating the general gloom, the Indian director Shekhar Kapur's, out-of-competition "Elizabeth" burst upon the scene. The drama revolves around the first years of Elizabeth I's reign, when the young English queen was beset with plots to topple her, the country in danger of being torn apart by Protestant and Catholic rivalries, and

foreign powers poised to invade. "Elizabeth" is visually beautiful, making brilliant use of light and dark effects, and the dialogue and interaction of the characters strikes an arid balance between courtly formality and human spontaneity. Cate Blanchett is stunning to look at and gives a superb performance as Elizabeth, amply supported by Geoffrey Rush as Sir Francis Walsingham, her spymaster and head of security, and a consistently well-selected cast.

The comic relief promised by Woody Allen's "Celebrity," also premiered out of competition, was only partially fulfilled. Kenneth Branagh plays Lee Simon, a journalist who dumps his wife of many years, Robin (Judy Davis), to go in pursuit of more glamorous fare. Given that Lee, despite seeming to be an obvious jerk, has no difficulty in catching the eye of rich and beautiful young women, it was perhaps wise of Allen to give the part to a younger man. But Branagh has mastered Allen's manner and speech so perfectly that it is hard to work out whether the director has achieved some Svengali-like hold over Branagh or whether the British actor is unconsciously sending Allen up.

Billed as a satire on the absurdity of the cult of celebrity in America, the film's problem is that it has become almost impossible to out-gross reality. "Guest stars" include Melanie Lynskey and Leonardo DiCaprio, with Winona Ryder backing into the limelight in the role of an "extra." There are, as always, good gags, but by the director's highest standards this is a low-octane event.

"Poodle Springs," which features Raymond Chandler's older, newly married private investigator Philip Marlowe, existed only in sketch form at the writer's death and was completed by another hand. Marlowe's self-reflecting solitariness is such an essential key to his character that it was always going to be anomalous to send him strolling down "those mean streets" arm-in-arm with Mrs. Marlowe. And to remove him from his natural urban habitat is to deprive him of the dark side of his soul.

THE playwright Tom Stoppard's script makes a brave attempt to resolve these contradictions, as does James Caan's performance as the mature Marlowe, a fish out of water in the desert resort of Poodle Springs, and in visible danger of expiring for lack of his daily dose of L.A. low life, crime and moral grime.

Consequently, the film, directed by Bob Rafelson and set in a kind of never-never land stylistically suspended between the 1940s and early 1960s, when the action takes place, never really gets off the ground. It will certainly seem a thin experience to anyone familiar with the books and the classic film adaptations.

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Austria to Return Art Looted by Nazis

By Jane Perlez
New York Times Service

VIENNA — Senior ministers of the Austrian government have sent a draft law to Parliament on the restitution of art confiscated by the Nazis and said they expected that some paintings, furniture and other objects would be returned to their rightful owners by the end of the year.

Passage of the law would mean that several major museums in Vienna would have to give up works, from paintings to tapestry to armor, that have been on display for decades. The culture minister, Elisabeth Gehrer, said before a meeting of the ministers Thursday that the government wanted to correct the wrongs of the past.

The Nazis stripped Austrian Jews of all their belongings just before the start of World War II. After the war, the Austrian authorities refused to allow Jewish families who had fled into exile to retrieve their artworks and take them abroad.

"It is our will to clear up after 50 years what has not been done before," Gehrer said. "We cannot make wrongdoings right, but we can make justice possible."

The Austrian branch of the Rothschild family is among the Jewish families whose extensive art holdings were taken by the Nazis and subsequently held by art museums here, including the Kunsthistorische and the Belvedere. Baroness Bettina de Rothschild, who lives in southern Austria, said she had been told that her family could expect to recover its heritage, including two portraits by Franz Hals, "before the end of the year."

The baroness, 73, fled into exile as a young girl days before the Germans marched into Austria, and later married an American diplomat, Matthew Looman. She praised Gehrer for her perseverance. "I give her enormous credit," the baroness said. "She has shown great guts. I don't think it's very popular."

The leader of Austria's far-right Freedom Party, Jörg Haider, said Wednesday that the government's effort to return the confiscated art was too great a favor to Jews.

The move to return the art began after an uproar last winter over the disputed ownership of two Egon Schiele paintings, lent by an Austrian foundation for a retrospective at the Museum of Modern Art in New York.

A spokesman for Gehrer said the government expected Parliament to approve the law in October. Ownership claims would then be reviewed by a new six-member commission.

THE review is considered a formality in the case of works belonging to the Rothschild, Lederer and Bloch-Baner families, who left Austria and have formally made claims since the war. Those families have been fully investigated and their rightful ownership affirmed, said Gehrer's spokeswoman, Heidi Marie Gluck.

Gehrer said art stolen by the Nazis and held in Austria fell into three categories. The first covers art taken by the Nazis and never returned to its owners because the government refused to allow it to be taken out of the country. Those works were generally donated or dedicated to national museums and galleries.

Among them are 10 paintings that the Kunsthistorische acquired in 1946, including such prized 17th-century Dutch works as a "Portrait of a Man" and "Portrait of a Woman" by Cyp, Jan Wynants and Frans van Mieris.

A second category of art established in the draft law covers works that were acquired on the open market but are now believed to have a "shady" provenance, Gehrer said.

A third category covers works that could not be returned to their rightful owners despite restitution efforts after the war.

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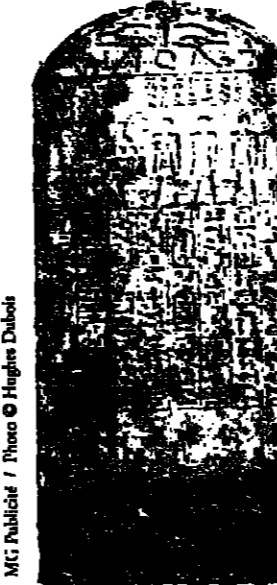


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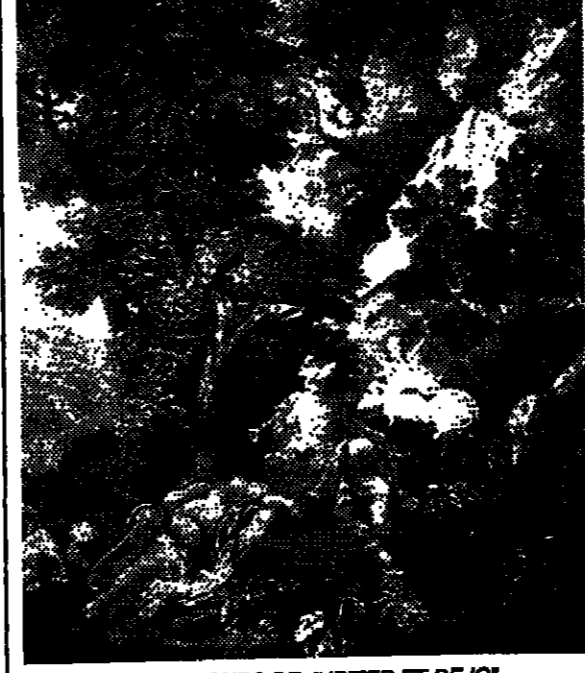
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Hashemi Rafsanjani, ex-leader of Iran, at prayers on Friday.

Rage Rises in Iran Over Killings by Taleban

By Douglas Jehl
New York Times Service

TEHRAN — Early last month, as forces of the militant Taleban movement advanced in northern Afghanistan, representatives of the Iranian Foreign Ministry approached the Pakistani Embassy here and asked it to relay an urgent request.

The Iranians wanted to know whether the Taleban could guarantee that an Iranian consulate in the northern Afghan town of Mazar-i-Sharif would be safe if its forces succeeded in capturing the town, which was the headquarters of an Iranian-backed opposition alliance.

The reply from the Taleban was "yes," according to Pakistan's ambassador to Tehran, Javed Hussain. But by the time the ambassador could pass on that assurance, on

Aug. 8, the promise had proved empty.

Mazar-i-Sharif had been overrun, the consulate captured and 11 Iranian diplomats had disappeared. After a month of mounting tension, a Taleban acknowledgement Thursday that the diplomats had been killed by Taleban fighters ignited furious Iranian allegations of betrayal, punctuated by an official declaration that Iran would somehow strike back.

"You will see how we will react," the former Iranian president, Hashemi Rafsanjani, vowed in an address before an enormous crowd attending Friday prayers at Tehran University.

Mr. Rafsanjani, who still holds a powerful post, said he had a message for the slain diplomats' families: "I promise them that we will take revenge for the blood of their

dear ones." One obvious possibility would be military retaliation of some kind against the Taleban, the purist Islamic movement that now controls most of Afghanistan. Already, in the fury caused by the diplomats' disappearance, Iran has built up a substantial military force of 70,000 troops along the Afghan border.

To many Iranians, what happened to the diplomats in Mazar-i-Sharif is being seen as final proof that the Taleban — whose rise to power has been a source of alarm to Iran — cannot be trusted.

Mr. Rafsanjani described the Taleban as part of "a very deep conspiracy to occupy Iran at its eastern borders."

But Mr. Rafsanjani declared that Iran would not take rash action. This suggested that, rather than launch any kind of all-out invasion into the

historical quagmire of Afghanistan, Iran might well wait to gauge how others respond to what it has labeled "a shocking and horrifying atrocity."

The United Nations Security Council promised Thursday night to open "an urgent investigation into these crimes."

After weeks in which Taleban officials denied knowledge of the diplomats' fate, the Taleban leader, Mullah Mohammed Omar, said on Thursday that bodies of nine of the Iranian diplomats had been found and that, "either intentionally or unintentionally," they had been killed by unidentified Taleban soldiers.

On Friday, Iranian officials added there was no hope the others had survived.

Mullah Omar, who reported his findings in a letter to the Security Council, said that the Taleban soldiers had acted on their own. Other officials have said that by the time Taleban commanders arrived at the Iranian Consulate on the day of the attack, none of the Iranian diplomats were to be found.

Iranian officials have presented a very different account. In broadcasts on state television they claimed that the Taleban commander himself ordered the attack on the consulate, and that it was carried out by a Taleban commander and 15 soldiers.

The Iranians have said that officials, who were on the phone with their counterparts in Mazar-i-Sharif, heard a hail of gunshots as the attack began. Taleban officials have not yet said anything about the remaining two Iranian diplomats, as well as an Iranian journalist who disappeared from the consulate, but Iranian officials said Friday they believed the three were still alive.

In seeking to win international sympathy for its diplomats, Iran may be haunted by its own undiplomatic behavior.

The 1979 takeover of the U.S. Embassy in Tehran, carried out by Iranian students with tacit government approval, was history's clearest recent example of an assault on diplomatic sanctity.

Iran may well have to answer discomfiting charges about what its diplomats were doing in Mazar-i-Sharif. Although Iran has said its support to the anti-Taleban alliance based there was limited to logistics, independent experts in Tehran and diplomats say that Iran was in fact a crucial supplier of arms, and that its diplomats in Mazar-i-Sharif almost certainly played a facilitating role.

On the day Taleban forces captured Mazar-i-Sharif, others reportedly seized two Iranian aircraft with assault rifles, rocket launchers and ammunition at the airport.

Israel on Alert After Killing 2 in Hamas

By Lee Hockstader
Washington Post Service

TAIBEH, West Bank — Israel declared a state of high alert on Friday after its troops burst into a remote West Bank farmhouse and killed two brothers regarded as masterminds of some of the worst recent terrorist attacks carried out by the militant Islamic group Hamas.

The brothers, Imad and Adel Awadallah, were killed Thursday afternoon in a commando raid that had apparently caught them off-guard. Although the brothers had a small cache of light weapons, Israeli officials said, they had no warning of the attack and were shot and killed before they could make a move.

On Friday, reporters saw blood splattered over the ceiling of the room where they had been killed. Leaders of Hamas, which has or-

ganized suicide bombings and other attacks against Israel in the past, vowed to avenge the slaying of the brothers.

Bracing for reprisals, Israel closed off all border crossings from West Bank and the Gaza Strip into Israel proper. If the closure lasts through the weekend, it will keep tens of thousands of Palestinians from reaching their jobs in Israel.

The killings seemed likely to dampen the already faint prospects for success in the current American peace initiative led by Dennis Ross, the chief U.S. Middle East envoy, who is in Israel trying to break the 18-month impasse in the peace process.

The death of the brothers in the West Bank towns of Ramatallah and Beit Hanina, and led to clashes in which Israeli forces fired rubber-coated bullets at demonstrators chanting for revenge.

Vows of Vengeance

A Hamas political leader in Palestinian-ruled Gaza vowed to avenge the deaths of the brothers, Reuters reported Friday from Jerusalem.

"Israel shoulders the full responsibility for their killing and God willing it will pay a dear price," said Mahmoud Zahhar, the political leader. "Revenge will be very strong."

The deaths of the Awadallahs dealt a further blow to Hamas's military wing, the Qassam Brigades, after the mysterious killing in March of its master bomber, Muhiyuddin Shahrif. His body was found next to a car that had exploded, but the body also had bullet holes in it.

The Palestinian Authority had implicated the Awadallah brothers in the killing, alleging that it had been part of an internal power struggle.

A Swissair Jet And a KLM Jet Nearly Collide

Reuters

ZURICH — Swissair, which suffered its worst air disaster last week, said a flight from Geneva to New York came within a few kilometers of colliding with another commercial airliner over Ireland on Friday.

"Flight 114 from Geneva to New York had a near miss with a KLM Boeing 747," a Swissair spokesman said.

The two planes came within a few kilometers of each other as they flew in opposite directions shortly after noon. Radar devices on both jetliners that are designed to detect oncoming aircraft warned both pilots in time to take evasive action.

"There was no danger for the 150 passengers," the Swissair spokesman said, adding that his company's jet had been flying at the altitude assigned to it by air traffic controllers. It was not known how many passengers were on the KLM plane.

The Traffic Collision Avoidance System devices, required in all commercial jetliners, automatically contacted each other to alert the pilots and send one plane lower while the other climbed, the spokesman said.

A Swissair flight from New York to Geneva crashed into the Atlantic off Canada last week after reporting smoke in the cabin, killing all 229 aboard.

Another Bomb Rocks Algeria, Killing 3 and Wounding 29

Reuters

ALGIERS — A bomb exploded in an open-air market in western Algeria on Friday, killing at least three people and wounding 29, government security forces said.

It was the second bomb within less than 24 hours.

On Thursday night, a bomb killed at least one person and wounded 10 other people in Larbaa in Blida Province, some about 50 kilometers (30 miles) south of Algiers, security

forces said in an earlier statement, also carried by the official Algerian press agency, APS.

"A homemade bomb placed in a weekly popular market in Gdyl, Oran Province, exploded at 10:45 a.m.," APS quoted the security forces as saying. Gdyl is 400 kilometers west of Algiers.

"According to preliminary reports, three people were killed and 29 others wounded," APS reported. Neither statement said who was

responsible for the blasts, the latest in a series of bomb attacks blamed by Algerian authorities on Muslim rebels.

Last Tuesday, a car bomb went off near a public market in the village of Rahouta in Taret Province, some 200 kilometers southwest of Algiers. That blast killed one person and wounded 15.

More than 65,000 people have been killed in Algeria since 1992, according to Western estimates.

Clinton Asks Senate to Confirm Holbrooke at UN

WASHINGTON — President Bill Clinton said Friday that he would ask the Senate to confirm Richard Holbrooke as U.S. ambassador to the United Nations upon completion of a review of his financial disclosure records.

"I look forward to a prompt resolution of this review and submission of his nomination to the Senate," Mr. Clinton said in a written statement.

Mr. Clinton said Mr. Holbrooke had stated that he was cooperating with a review by the Departments of State and Justice of his financial disclosure reports and contacts with State Department officials during the year following his departure from government service in February 1996.

The administration had been due to submit nomination documents to the Senate after announcing the nomination

on June 18. CBS News said the nomination of Mr. Holbrooke was dead, but Mr. Clinton's statement, which alludes to the "remarkable contributions to our nation's security," Mr. Holbrooke has made "in this and in previous administrations," suggested the president was sticking by him.

It was unclear, however, whether the nomination could be confirmed this year. In August, Senator Jesse Helms, the North Carolina Republican who chairs the Senate Foreign Relations Committee, set a Sept. 10 deadline to receive the documents if the administration wanted Mr. Holbrooke to be confirmed this year.

"The administration is mistaken if they expect the committee will rubber-stamp Mr. Holbrooke's nomination," a spokesman for the chairman said recently. "Senator Helms has a number of

important issues to go over with Mr. Holbrooke and will not rush the nomination through at the last minute."

Democratic aides on Foreign Relations Committee said they had not been briefed on potential problems with the nomination.

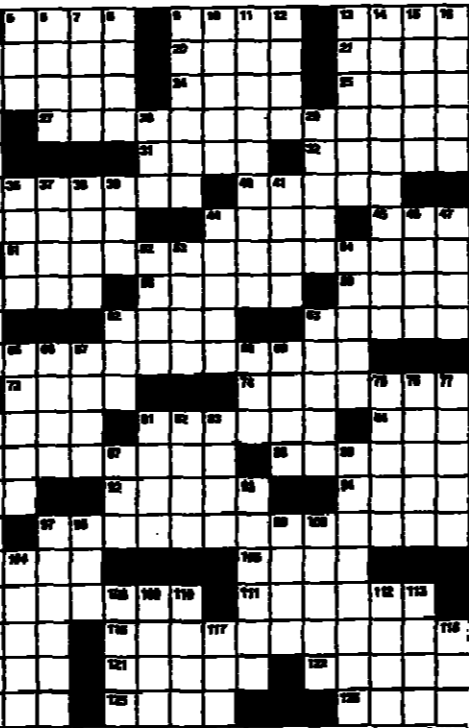
Secretary of State Madeleine Albright, meanwhile, said Mr. Holbrooke had made clear he was cooperating with the inquiry. "Ambassador Holbrooke has made extraordinary contributions to our nation's foreign policy and I look forward to a prompt resolution of this matter," Ms. Albright said.

The former ambassador to the UN, Bill Richardson, has meanwhile been sworn in as secretary of energy. He had stayed on as the U.S. representative to the United Nations but resigned that post Friday. (Reuters, AP)

GETTING A-LONG By Cathy Millhauser

- ACROSS
- Like gazpacho
 - "Promo!"
 - Put
 - Kindergarten lesson
 - Actress Cher of "S.I.L."
 - Clothes
 - Commander
 - Robik
 - College appointment
 - Food for thought
 - 24/7
 - 25-Aves' mother
 26. Comparable to a pancake
 27. Pain killer
 28. Bakery product
 31. Kind of jet
 32. Sprang
 33. Pile for a TV cop?
 40. Cio hopefalls
 42. Lead for a Lab
 43. Ryan known as "The Ryan Express"
 44. Short cut
 45. Blacken
 46. Tanked (up)
 51. Where they tell off-color pranks before meals?
 52. Elton
 53. Ribs
 54. Half of the "Rich Girl" duo, in 70's pop
 55. Snake, for one
 56. Sailed away
 57. Famed reproach
 58. Springs
 64. Julia Child using miso, e.g.
 70. Actress
 71. Swenson and others
 72. "be in England"
 74. About which?
 75. Short watch
 76. Sentinels
 77. Donahue of "Get a Life"
 84. Year in Vigor's
 85. Wit in need of washing?

86. Junta, say
87. Facilitator title
91. They precede ideas
92. "Van IV" composer
94. Son of Judah
95. Army refusal
97. Do well as a temptress?
101. One of the King Sisters
103. Links
105. Eloise's ilk
106. What one used to do in Kremlin last?
111. Brbe, informally
114. "Oliver" choreographer
115. Picnic pest, in this puzzle?
116. Balding lion's lament?
119. Windows picture
120. Neolith, e.g.
121. Whopper
122. Overall stuff
123. Permits
124. "My treat"
125. Kind of child
126. Make over



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Solution to Puzzle of Sept. 5-6

1. Like gazpacho
2. "Promo!"
3. Put
4. Kindergarten lesson
5. Actress Cher of "S.I.L."
6. Clothes
7. Commander
8. Robik
9. College appointment
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38. 75. Short watch
39. 76. Sentinels
40. 77. Donahue of "Get a Life"
41. 84. Year in Vigor's
42. 85. Wit in need of washing?

"Dow Falls October 21-28, 1998"

"There Will Be a Wild Ride on the Downside. The Market Recovers Very Slowly".

Rebecca Nolan, Editor of FINANCIAL ASTROLOGY.

According to Rebecca Nolan, Editor of FINANCIAL ASTROLOGY newsletter, astrological indicators show a strong downside correction on the D.J. between October 21-28. So be alert.

This will be caused by a combination of declining currencies, lower corporate earnings and the economic crisis in Japan. The market will recover, but slowly, and we're likely to see a bear market for at least 4 months.

Learn the Turning Points BEFORE They Happen

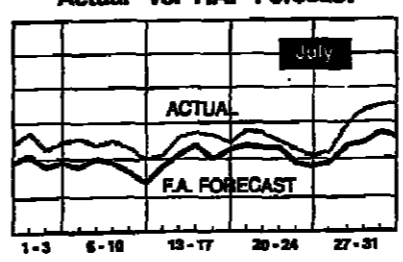
FINANCIAL ASTROLOGY puts you in a more powerful position than ever before to profit from turning points on 19 major stock market indexes, 6 major currencies and in 18 commodity futures forecast in every issue. You can read forecast charts showing the daily trends over the next 3 month period in indexes, currencies, commodities and U.S. Treasury Bonds, plus commentaries on what's ahead in these markets.

Remarkable Track Record

Rebecca Nolan's track record is remarkable. The methods she uses to forecast trends on the D.J. and other major markets may be unconventional but they certainly beat more traditional methods used by financial analysts you read in the newspapers. As the "Asian Wall Street Journal" stated: "Don't confuse Rebecca Nolan's market forecasts with 'hocus pocus'. Her investment advice is based on mathematical techniques, which she has spent over 20 years perfecting!"

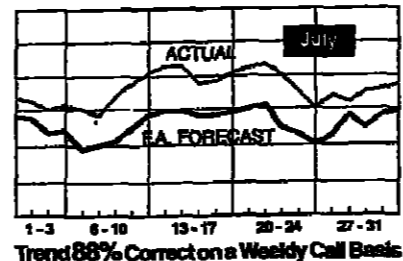
Here are some of her July forecasts from the last issue showing the forecast daily movements and her actual accuracy percentage on a weekly trend basis.

U.S. TREASURY BONDS "Actual" vs. F.A. "Forecast"



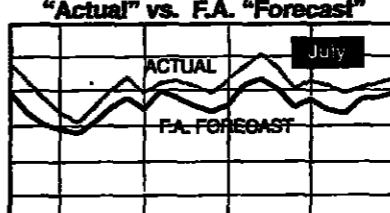
Trend 97% Correct on a Weekly Call Basis

U.K.: FTSE 100 INDEX "Actual" vs. F.A. "Forecast"



Trend 88% Correct on a Weekly Call Basis

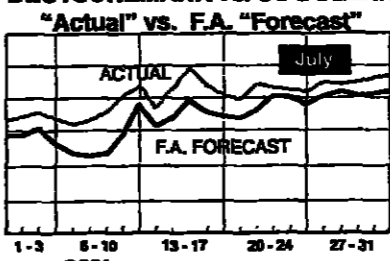
JAPANESE YEN vs. US DOLLAR "Actual" vs. F.A. "Forecast"



Trend 93% Correct on a Weekly Call Basis

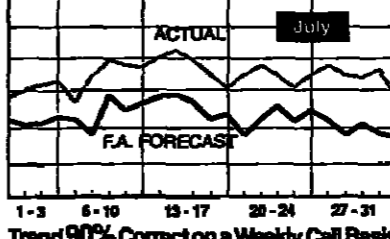
(On the above currency chart, and the chart shown below, a rising trend line shows a weakening in the currency stated against the U.S. dollar. A falling trend line shows a strengthening of the currency against the U.S. dollar.)

DEUTSCHEMARK vs. US DOLLAR "Actual" vs. F.A. "Forecast"



Trend 86% Correct on a Weekly Call Basis

CRUDE OIL PRICE TREND "Actual" vs. F.A. "Forecast"



Trend 90% Correct on a Weekly Call Basis

(The forecast accuracy of all the above charts have been checked by a leading international bank.)

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Continued on Page 14

CURRENCY

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European Markets Rattled by Turmoil

But Region's Economy Seems in Good Shape

By Tom Buerkle
International Herald Tribune

LONDON — The uncertainty over President Bill Clinton's future and the continued financial turmoil in developing countries rattled stock markets in Europe on Friday, but Europe's underlying economy is in better shape than most others to ride out the storm, analysts said.

European growth is increasingly driven by domestic factors such as rising employment and consumer spending, a fact that leaves the region less vulnerable to the weakness spreading from Asia and Russia into Latin American economies, analysts said.

Investors seeking shelter from the financial turbulence continued to flock into European bonds, meanwhile, supporting European currencies against the dollar and driving interest rates down to record low levels.

The yield on Germany's benchmark 10-year government bonds fell slightly to 3.99 percent on Friday, the first time it had ever fallen below 4 percent and down nearly one-quarter point for the week.

Those low rates should help sustain growth by making it easier for companies and consumers to borrow.

"If you're looking for an oasis in the storm, the Euro area is it," said Kim Schoenholtz, chief economist at Salomon Smith Barney.

The dollar recovered somewhat to close at 1.6943 Deutsche marks in New York, after finishing at 1.6840 DM on Thursday. The dollar has fallen more than

10 pfennig in the last two weeks, though, and most analysts believe it will continue to weaken because of U.S. political uncertainty and the risk that financial turmoil in Latin America will hit U.S. corporate profits and growth.

European stock markets settled down on Friday, reassured for the moment by a firmer opening on Wall Street after the 3 percent plunge Thursday. The FTSE index of 100 U.K. stocks closed 18 points lower at 5,118.60 after trading at one point below 5,000. The CAC-40 index of French stocks slipped by 0.31 percent, to 3,578.34, and Germany's DAX index fell 0.21 percent, to 4,737.15.

Madrid's IBEX index fell 2.23 percent, though, reflecting the heavy exposure of Spanish companies to Latin America, while Milan's main index fell 2.60 percent.

To be sure, Europe will suffer from the continued deterioration of the global economy as weakness in developing economies reduces European exports and generates tougher competition in the form of cheaper imports from Asia and elsewhere.

But Europe trades less with Latin America than the United States does, so its economy should suffer less from turmoil in places like Brazil, which raised interest rates by 20 percent on Thursday to stop a flight of capital out of the country.

The European economy also is less sensitive to swings in the stock market than the United States is, because Europeans own fewer shares. Stock market gains amounted to about 35 percent of



A saleswoman in a store near Moscow surveying shelves Friday picked clean during recent days of panic buying.

personal disposable income in the United States in 1997, compared with 15 percent in Britain, 6 percent in Germany and less than 4 percent in France, according to the Organization for Economic Cooperation and Development.

François Chanchat, a strategist at the Paris brokerage Chevreux de Vries, has downgraded his forecast for growth in the 11 countries in the Euro zone to about 2.25 percent next year from 2.9 percent previously. But the firm has slashed its U.S. growth forecast even further, to 1.4 percent from 2.5 percent.

"The fundamentals of the domestic economy in the U.S. and Europe are better than ever," Mr. Chanchat said. But he added that U.S. growth would suffer a bigger slowdown through a deterioration of trade.

The government on Thursday reported a U.S. current account deficit widened to a record \$56 billion in the second quarter of this year.

European markets will remain very nervous, and the European economy will suffer if the financial turmoil wreaks enough havoc to trigger a global

recession. But most analysts regard the dollar as the biggest point of vulnerability.

"The Clinton news has had a big impact on the dollar," said Hans-Peter Hausheer, a senior economist at Warburg Dillon Read in Zurich.

There are fears in the market that because of this issue," he said.

"The U.S. could be occupied with internal problems and no longer able to act in the worldwide situation as they should. This is a rather dangerous situation."

Duisenberg Warns of Asia Fallout

But Head of Euro Bank Advises: 'Do Not Panic'

By John Schmid
International Herald Tribune

FRANKFURT — The president of the European Central Bank warned Friday that Europe was at risk from the economic turmoil in Asia and Russia.

"There is no doubt that these developments will have a dampening effect on the world economy," Wim Duisenberg said.

"We are perfectly aware that the risks associated with current global developments go beyond those effects which we can measure directly," he said. "We have to take these risks seriously and analyze the situation soberly, but we should also not dramatize."

After recent pronouncements from the U.S. Federal Reserve and the Bank of England, Mr. Duisenberg became the latest major central banker in the past week to warn that the biggest Western economies are vulnerable to the global financial turmoil.

The comments coincide with fears that the global economy is cooling so rapidly that central bankers might undertake "an internationally coordinated interest rate cut," said Joachim Fels, London-based economist at Morgan Stanley Dean Witter.

Betting on a round of tandem lending rate cuts picked up pace after the Bank of Japan lowered one of its interest rates Thursday in what some called an emergency measure for the Japanese economy, which has slid into a deeper-than-expected recession.

In unusually blunt terms for a central banker, Mr. Duisenberg said the global environment "has clearly worsened" and made monetary policy "more uncertain." The dollar, which has tumbled in the two weeks since Russia's economic and political crisis rattled markets, could also become a problem for Europe, Mr. Duisenberg said. A weaker dollar puts European exports at a disadvantage by making them more expensive in any of the nations whose currencies are pegged to the U.S. currency.

"The dollar has fallen quite sharply over the past two weeks," Mr. Duisenberg said. "If this continues, that would be a reason for worry."

Like the Fed and Bank of England, Mr. Duisenberg took pains to soothe nerves and avoid stocking any fears that would upset the delicate international order of financial markets and economies.

"Our advice, in short, is: Do not panic," Mr. Duisenberg said.

By assuring that he is "not concerned at all" about European inflation, Mr. Duisenberg contributed to the view that Europe will keep interest rates low and play its role in stoking economic activity, economists said.

Another coordinated effort to preserve the shaky status quo could come Monday with the meeting of finance officials from the Group of Seven major industrial economies in London.

It is not certain that Asian and Russian problems will land on Europe's shores, Mr. Duisenberg said. European growth currently is bolstered by low inflation, low interest rates and consumer spending.

Last week, the Fed chairman, Alan Greenspan, warned that the U.S. could not remain "an oasis of prosperity unaffected by a world that is experiencing greatly increased stress."

WALL STREET WATCH

Violent Market Surges: A Crapshoot?

By Gretchen Morgenson
New York Times Service

NEW YORK — Investors in the stock market have to be ready for ups and downs.

Everybody knows that. But who was prepared for the market's manic depressive mood swings of the past few weeks? And what do the increasingly violent moves in stocks mean for the market overall?

Investors who thought that Tuesday's stunning surge marked the end of the market's late-summer troubles quickly learned otherwise when the Dow Jones industrial average fell 155.76 points Wednesday.

On Thursday, the market continued to cave, with the Dow falling 249.45 points, or 3.17 percent, to close at 7,615.54.

In those two days' trading, investors have given up more than they made during the record point rise on Tuesday.

Then on Friday, the Dow climbed 2.4 percent to 7,795.5. These are wide swings. But they are not as wide as the gaps in recent weeks between the high and the low each day in the market averages. In two out of three trading days this week, the Dow Jones industrial average traded in a range that exceeded 300 points.

Thursday's range of 338.57 points amounted to 4.3 percent of the index's value. And the swings in markets overseas have been even greater.

Moodiness like this used to be an occasional thing in American stocks. Now, going from euphoria to depression seems to be de rigueur.

Trouble is, these market gyrations have consequences: they are highly distressing to investors' psyches and exceedingly costly to their portfolios. Extreme volatility in share prices, what investors have been experiencing since stocks peaked in July, makes the market feel like a crapshoot.

Of course, it now takes a bigger move in points to register a meaningful per-

A Time of Turmoil

Volatility has been one thing traders can count on in the market this summer. The daily range of trading prices of S&P 500 futures, one measure of market swings, has risen drastically since July 23.



Source: ScanSoft

centage gain or loss. Nobody expects the stock market at these levels to move up or down a mere 25 points or so.

But percentage moves of 4 percent or more that have whipsawed investors recently makes the market seem more unstable, less rock solid. And these moves are not limited to the indexes. Consider what happened Thursday to the stock of Merrill Lynch & Co. Thursday's trading in that stock had a range of 7.8 percent, from a high of \$55.875 to a low of \$51.50. It closed at \$55.50.

This is not an isolated example, nor was the volatility the result of a hot news announcement.

Brokers are mixed on what investors should do to protect themselves from the high costs of trading in volatile markets. Some advise investors looking to get into stocks to use only limit orders, which specify a price the investor is willing to pay for the shares.

Market orders, in which an investor pays the prevailing market price on his order, are more common and often cheaper to execute. But in times of volatility market orders can be a good way to pay up to buy stocks.

Other brokers advise investors to simply sit out the rough and tumble

trading days. These people say that on those occasions, the market is simply trying to find a level, that all the churning in stocks makes it impossible to buy with confidence.

Besides, individual stocks, major indexes trade in exceedingly wide ranges these days too.

In just the past month, almost one trading day in three involved an unusually wide trading range, according to Fane Lozman, chairman of Scansoft, a creator of market display software in Chicago.

In the 23 trading days going back to Aug. 10, Mr. Lozman studied the intraday range for the Standard & Poor's 500 September futures contracts, the vehicle institutional investors used to buy or sell the overall market.

He found that on seven occasions the range for the futures during a day's trading was one-and-one-half times greater than the mean range had been during the previous thirty days.

On three occasions, the range was twice as great as it had been previously.

"We are in a new market era of volatility that people have to get used to," Mr. Lozman said. "The average person likes to see a nice steady increase in stock prices."

But the speed with which this market goes from one price level to another price level is incredible."

It is also expensive, at least for individual investors. Professional traders like wide swings in stocks because on the large blocks of shares that they trade, they can make big money on even the tiniest move.

But for smaller investors, volatility makes getting in and out of stocks a very costly proposition.

Think of the person who sold Citicorp Thursday at its low of \$83.50, only to see it close at \$88.25.

Or the investor who bought Exxon at \$70.6875, only to see it close one point lower.

Latin America's Woes Shake Global Investors

By John M. Berry
Washington Post Service

WASHINGTON — Financial markets in Latin America and some other parts of the developing world were shaken by severe turbulence this week — with Brazil the hardest hit — as global investors continued to pull their money out of areas they fear are growing riskier.

U.S. financial analysts and policymakers regard Brazil, the largest economy in Latin America, as on the front line in the battle to stabilize world financial markets and prevent global economic turmoil from spreading to the United States.

A recession and currency devaluation in Brazil would cause heavy losses for U.S. lenders and exporters, and possibly drag down the economies of other important U.S. trading partners in the region.

Latin America is teetering on the brink," said Bruce Steinberg, chief economist at Merrill Lynch & Co. in New York.

Markets across Latin America took a heavy hit Thursday, before recovering Friday. Brazil's key stock price index, the Bovespa, closed down 15.8 percent Thursday despite two trading halts, and already-high interest rates were raised again to try to protect Brazil's currency, the real. Meanwhile, Mexico's main stock

index, the Bolsa, fell 9.8 percent Thursday as the value of that nation's currency, the peso, hit an all-time low of 10.32 against the dollar. The peso's drop occurred despite intervention by the Bank of Mexico, which sold dollars for pesos to prop up the latter's value.

In late trading Friday, the Bovespa roared back 13.3 percent to stand at 5,384.95, while the Bolsa also recovered ground, rising 2.4 percent to 2,925.49. The peso traded at 10.61.

The Brazilian currency is under pressure from a huge outflow of capital that could force a devaluation and unleash another wave of market turmoil that would drag down not only other Latin American currencies but perhaps the Hong Kong dollar as well.

That concern was underscored by a senior U.S. Treasury official who said Thursday that he and others "have been in close contact with our counterparts in Brazil and other Latin American countries today. These countries have made great progress in economic reform in recent years, and it is very much in our interest to be supportive of the reform efforts of these nations, which mean so much to our economy."

Mr. Steinberg said, "If the real were to crack, a Brazilian and regional recession would ensue."

See BRAZIL, Page 12

CURRENCY & INTEREST RATES

Cross Rates									
	USD	EUR	GBP	JPY	AUD	NZD	HKD	TWD	THB
Australia	1.00	0.65	0.60	80.00	0.70	0.65	7.80	20.00	3.40
Canada	0.70	0.45	0.40	56.00	0.50	0.45	5.40	14.00	2.30
France	0.65	1.00	0.90	136.00	0.75	0.70	8.40	21.00	3.50
Germany	0.63	0.98	0.88	133.00	0.73	0.68	8.20	20.50	3.40
Italy	0.60	0.95	0.85	130.00	0.70	0.65	8.00	20.00	3.30
Japan	0.008	0.005	0.004	1.00	0.009	0.008	0.10	2.60	0.40
South Africa	0.005	0.003	0.002	13.00	0.006	0.005	0.70	18.00	2.90
Switzerland	0.75	1.00	0.90	136.00	0.75	0.70	8.40	21.00	3.50
UK	0.60	0.90	1.00	130.00	0.70	0.65	8.00	20.00	3.30
US Dollar Values									
Canada	0.70	0.45	0.40	56.00	0.50	0.45	5.40	14.00	2.30
France	0.65	1.00	0.90	136.00	0.75	0.70	8.40	21.00	3.50
Germany	0.63	0.98	0.88	133.00	0.73	0.68	8.20	20.50	3.40
Italy	0.60	0.95	0.85	130.00	0.70	0.65	8.00	20.00	3.30
Japan	0.008	0.005	0.004	1.00	0.009	0.008	0.10	2.60	0.40
South Africa	0.005	0.003	0.002	13.00	0.006	0.005	0.70	18.00	2.90
Switzerland	0.75	1.00	0.90	136.00	0.75	0.70	8.40	21.00	3.50
UK	0.60	0.90	1.00	130.00	0.70	0.65	8.00	20.00	3.30
Libor-Libor Rates									
1-month	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25	3.00
3-month	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25
6-month	5.50	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50
1-year	5.75	5.50	5.25	5.00	4.75	4.50	4.25	4.00	3.75
Key Money Rates									
US Dollar	1.00	0.65	0.60	80.00	0.70	0.65	7.80	20.00	3.40
Canada	0.70	0.45	0.40	56.00	0.50	0.45	5.40	14.00	2.30
France	0.65	1.00	0.90	136.00	0.75	0.70	8.40	21.00	3.50
Germany	0.63	0.98	0.88	133.00	0.73	0.68	8.20	20.50	3.40
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UK	0.60	0.90	1.00	130.00	0.70	0.65	8.00	20.00	3.30
Forward Rates									
1-month	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25	3.00
3-month	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50	3.25
6-month	5.50	5.25	5.00	4.75	4.50	4.25	4.00	3.75	3.50
1-year	5.75	5.50	5.25	5.00	4.75	4.50	4.25	4.00	3.75



groupe Promodès

First Half 1998 Financial Results

FF millions	June 30, 1998	June 30, 1997	1998/1997 change
Net sales	56 200	51 822	+ 8.4 %
Operating income	1 006	1 085	- 7.3 %
Income before non recurring items and taxes	1 017	1 153	- 11.8 %
Net income before minority interests	711	634	+ 12.2 %
Net income after minority interests	621	528	+ 17.6 %
Cash flow	1 739	1 255	+ 38.6 %

Promodès net income growth: + 17.6% in first-half

PROMODES Group results the first half of 1998 were affected by changes in the scope and methods of consolidation resulting from external growth operations initiated at end 1997/early 1998. Operating income and income before non recurring items and taxes decreased, respectively, by 7.3% and 11.8% compared to first half 1997. This is explained by the change in consolidation method, from full consolidation to the equity method, for the Italian subsidiary, GRUPPO G, the acquisitions of SIMAGO in Spain, of MINIPRECO in Portugal

and of CATTEAU in France. Excluding these operations, the growth in operating income would have amounted to 8.5% and that of income before non recurring items and taxes, by 14%. However, net income after minority interests rose by 17.6%, as a result of an increase in contributions from companies consolidated by the equity method, linked to the consolidation of the Italian subsidiary, as well as the increase from PROMODES' interest in several of its subsidiaries.

EU Rules on Mergers Speed Up Cumbersome Process

mission said. So far, six mergers and acquisitions have won fast-track EU approval after companies offered early concessions. Alzco, Allianz AG, Thyssen AG and Exxon Corp. have been among the companies to benefit.

Allianz in May won EU clearance for its purchase of Assurances Generales de France SA, making it Europe's biggest insurer, after pledging to sell shares in one of its units. The German steelmaker Thyssen and Friedr. Krupp AG Hoechst-Krupp in June got approval for their merger. And Exxon agreed to give up its share of the world's first foreigner-led crude oil cartel, Opec.

Investor's Europe

**Frankfurt
DAX**

6000
5500
5000
4500
4000
A M J J A S
1998

**London
FTSE 100 Index**

6500
6000
5500
5000
4500
A M J J A S
1998

**Paris
CAC 40**

4800
4400
4000
3600
3200
A M J J A S
1998

Exchange	Index	Friday Close	Prev. Close	% Change
Amsterdam	AEX	1,010.42	1,021.31	-1.07
Brussels	BEL-20	3,171.34	3,204.93	-1.05
Frankfurt	DAX	4,737.15	4,747.38	-0.21
Copenhagen	Stock Market	631.44	636.95	-1.31
Helsinki	HEX General	4,337.63	4,302.90	+0.81
Oslo	OBX	502.34	505.15	-0.56
London	FTSE 100	5,115.80	5,136.00	-0.36
Madrid	Stock Exchange	694.64	710.35	-2.23
Milan	MBITEL	19206	19719	-2.60
Paris	CAC 40	3,573.34	3,598.35	-0.31
Stockholm	SV 16	3,482.48	3,505.39	-0.65
Vienna	ATX	1,182.29	1,188.11	-1.19
Zurich	SPI	4,093.85	4,105.77	-0.29

- **Ukraine** called on foreign investors to exchange Treasury bills for new two-year bonds that promise a dollar-linked yield of 22 percent, less than a third of the country's current Eurobond yields.
- **The World Bank** approved a \$369 million loan to Turkey to aid in the cleanup from floods and earthquakes.
- **Telefonica SA**, Spain's largest telephone company, and **Canal Plus SA**, Europe's No. 1 pay-TV company, presented the planned merger of their Spanish satellite-TV units to European Union regulators, the first step toward securing EU approval of the plan.
- **Diageo PLC**, the world's largest liquor company, will no longer distribute Highland Distillers PLC's Famous Grouse whisky in the United States and Ireland. Highland's whisky will instead be distributed by **Remy Cointreau SA** as part of a new alliance between the Scottish and French companies.
- **ING Groep NV**, the largest Dutch financial-services company, reached agreement to buy **Clarion Partners LLC** of the United States, becoming the world's third-largest real estate asset manager. No financial details were given.
- **Havas SA**, France's largest media company, agreed to buy 100 percent of Spain's second-biggest publisher, **Grupo Anaya SA**, for an undisclosed sum as part of a strategy to expand its global reach.
- **Spanish consumer prices** rose 0.3 percent in August from July, a decline from last month's 10-month-high of 0.4 percent, as rising prices during the tourism industry's peak month pushed the index higher. The monthly increase lifted the annual increase to 2.1 percent, in line with expectations.
- **Parallel Pictures Group PLC**, a British film company, is in talks to buy **Handmade Films Ltd.**, a British company founded by the former Beate George Harrison, from Canada's troubled **Paragon Entertainment Corp.** *Byline: M...*

Continued from Page 1

Mr. Sakaiya said that he expected economic performance in the third quarter also to be weak and that a recovery might not come for another two years. The government is now carrying out a giant fiscal stimulus package worth 16.7 trillion yen, and that money was to have started trickling through the economy last month. Mr. Sakaiya acknowledged, however, that the effects of the spending would not be felt until the fall. Some economists say it will be difficult to spend so much

A consensus is building among economists that the spending in 1998 is just barely above spending levels in 1997, when the economy was still growing, and not nearly enough to lift Japan out of a recession.

More surprising for some economists is that the data released Friday show that the core of the economy is

weak. The amounts of money that Japanese consumers spend on food, clothes, and new homes, and the investment that companies put into new plant and equipment declined in the second quarter by about 7 percent, according to Jeffrey Young, an economist at Salomon Smith Barney in Tokyo.

Although gross domestic product, or GDP, did not decline this time as much as it did in the first quarter when the economy contracted by an annual 5.3 percent, the make-up of the economy troubles some economists.

"The emphatic point that I think the markets are going to have to deal with is that people know the economy is

bad, but they simply have not come to grips with how bad," Mr. Young said. Separately, the central bank noted in a key monthly report issued Friday that the stock market has been unstable since August, when Russia's economic crisis riled the global markets. That instability is warned, drag down economic output even more.

"The real economic situation is worse than the figures might suggest," said Teizo Taya, a managing

High Low Close Prev

[illegible]

NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Symbol	Price	Change	Volume
IBM	125.00	+1.00	1,200,000
Microsoft	100.00	+2.00	1,100,000
Apple	75.00	+1.00	1,000,000
Oracle	60.00	+1.00	900,000
Amazon	50.00	+1.00	800,000
Google	40.00	+1.00	700,000
Yahoo	30.00	+1.00	600,000
Alibaba	20.00	+1.00	500,000
Facebook	15.00	+1.00	400,000
Twitter	10.00	+1.00	300,000

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NYSE

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Financial Jing

Funds Reassess

and Pulls Out of Asia Market

كندا والاصول

ASIA/PACIFIC

'Financial Jingoism' Sweeps Hong Kong

By Tan Ee Lyn
Reuters

HONG KONG — The Hong Kong government's crusade against market speculators has become a rallying cry, fueling a sense of nationalism once rare in this former British colony, political analysts and legislators said Friday.

But some warned that such jingoism would harm the image of this international financial powerhouse in the long run and drive investors away.

Government officials "are creating an impression for the general public in Hong Kong that there are speculators that are not so bad, manipulators who are really bad and these are essentially foreign devils," said Christine Loh, a member of the Hong Kong legislature.

"To divide market players into good ones and bad ones, and the bad ones are from the outside, is

just not what we need," said Mrs. Loh, head of the Citizens' Party and a former commodities trader. "I mean what impression are we creating internationally?"

Hong Kong has locked horns in recent weeks with what it has termed "market manipulators" who are trying to profit from attacking the Hong Kong dollar.

On Saturday, Financial Secretary Donald Tsang is to appear for the third time this week before the legislature's Financial Affairs panel to defend the government's actions.

Since mid-August, the Hong Kong Monetary Authority has spent at least 100 billion Hong Kong dollars (\$12.9 billion) in the local stock and futures markets to foil speculators.

The Monetary Authority accused speculators of selling the Hong Kong dollar to drive interest rates up and stock prices down in an effort to profit from short

selling: when investors borrow stocks, sell them, and buy replacements later to return to the lender at a promised date, hoping the market will go down so that they can pocket the difference.

In the past week, the government has announced 37 measures to strengthen the Hong Kong dollar's link to the U.S. dollar and make markets less susceptible to manipulation. The moves have been hotly debated by legislators in this week's earlier sessions with Mr. Tsang.

Many politicians have used the forum to unleash wild and colorful invectives against foreign "manipulators" — not unlike the rhetoric that Prime Minister Mahathir bin Mohamad of Malaysia has used for months to denounce currency speculators.

James Tien of the Liberal Party referred to them as *gwailos*, a Cantonese term for "foreign devils," while Chan Kam-lam of the

pro-China Democratic Alliance of the Betterment of Hong Kong, called them "international big crocodiles."

Amid the name calling, Mr. Tsang, the top general in Hong Kong's market intervention campaign, has won growing support among the territory's 6.6 million people, surveys showed.

A poll by the University of Hong Kong on Sept. 7 found 54.9 percent of 348 respondents agreed with the government's recent intervention in stocks and futures, up from 37.4 percent in an earlier survey conducted on Sept. 1.

Lau Siu-kai, a political analyst, said the support was because of a groundswell of "anti-speculator sentiment." Margaret Ng, a legislator, said the support given to the government was based on "financial jingoism" and warned that it could encourage the government to do whatever it chose.

Mitsubishi Links Units To Sell Funds

Bloomberg News

TOKYO — Bank of Tokyo-Mitsubishi Ltd. and the three other financial giants of the Mitsubishi business group will form a joint venture to raise and market mutual funds, and they said Friday they would team up in investment banking as well.

The four companies — Bank of Tokyo-Mitsubishi, Mitsubishi Trust & Banking Corp., Tokio Marine & Fire Insurance Co. and Meiji Life Insurance Co. — said they would invest 480 million yen (\$3.5 million) and have equal shares in the venture, which will be established in December.

The companies also said they would work together, and possibly with foreign companies, to provide such support services as record-keeping for 401K-type products in Japan. The four will also cooperate in investment banking and might form a financial holding company, said the president of Bank of Tokyo-Mitsubishi, Satoru Kishi.

"We're capitalizing on our strengths and teaming up to take advantage of 'Big Bang' financial reforms," Mr. Kishi said. "A holding company is one important option we have."

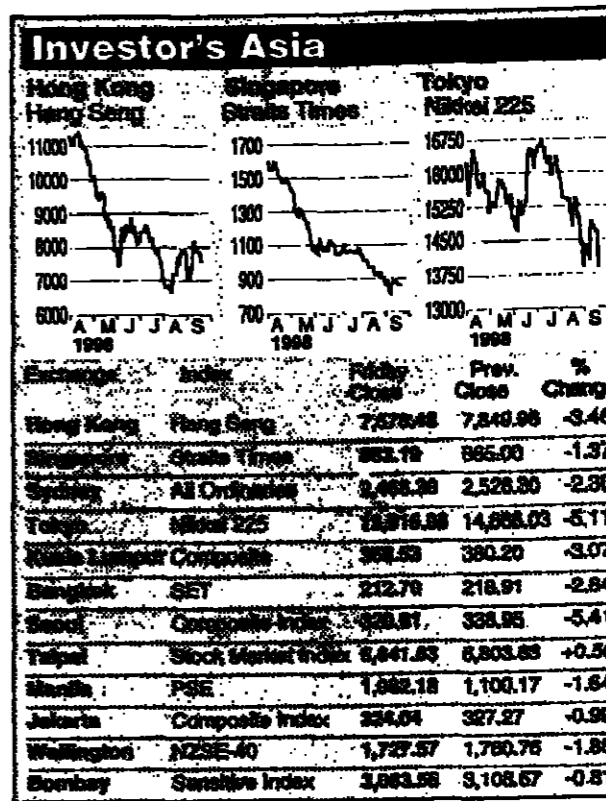
The joint venture is the latest in a series of alliances aimed at cashing in on what is expected to be a mutual-fund bonanza, as financial deregulation lets the 720 trillion yen that Japanese savers have stashed in low-yielding bank accounts move to products that could produce higher returns.

It tightens the ties between Japan's largest commercial lender, its biggest trust bank, the largest casualty insurer and the fourth-largest life insurer, all members of the tight-knit Mitsubishi business group.

A jointly managed investment bank could help fill the hole left in the group's financial-services lineup by the defection of Nikko Securities Co.

Japan's third-largest brokerage, which had close ties to the Mitsubishi group, said in June that it would join forces with the U.S. financial giant Travelers Group Inc. Travelers was to buy a 25 percent stake in Nikko, unseating Bank of Tokyo-Mitsubishi from its position as the brokerage's biggest shareholder.

The bank said it would have to reconsider its securities strategy the day after Nikko announced the deal.



Funds Reassess Malaysian Assets

Bloomberg News

KUALA LUMPUR — Jardine Fleming Unit Trusts Ltd., Henderson Investors Singapore Ltd. and other global funds are writing down the value of the Malaysian assets in their funds because they are unable to get their money out of the country.

Currency controls imposed in Malaysia last week locked into the country as much as \$10 billion worth of stocks and bonds owned by foreign funds.

"Our trustees decided that these assets should be written down to zero because they are not easily accessible," said William Pittman, director of investment at Henderson.

Malaysia imposed rules that force funds to hold on to the ringgit proceeds of their Malaysian stock sales for 12 months. Faced with the risk of

breaking their fiduciary obligations by being trapped in a restricted stock market, funds are scrambling to reassess their Malaysian portfolios.

"Nobody wants to be locked into a market for 12 months before they can take their money out," said Ken Rossiter, senior investment adviser for Asian Equities at Nikko Securities in Hong Kong.

The Hong Kong Investment Funds Association, for its part, is recommending that "members might want to consider 'ring-fencing' or discounting their Malaysian portfolios," said Roger Pyke, a director of Barclays International Funds in Hong Kong.

Mr. Pyke represents Barclays on the executive committee of the association, which has 48 fund management companies as members and

is expected to issue "advisory notes" on Malaysia by Sept. 15.

Jardine, which manages more than \$10 billion in Asia, will write down to zero its Malaysian assets in the JF Asian Trust, which will be valued again after Sept. 1, 1999. The 4,800 unit-holders of the \$70 million trust will be made a "special distribution," likely after Sept. 1, 1999.

"What we're doing is to effectively quarantine off the Malaysian stocks, so that can be sold off at a later date, and their proceeds distributed to the unit holders," said Tony McDonald, a director at Jardine Fleming Investment Management Ltd. in Hong Kong.

The moves by Hong Kong-based mutual funds comes after Malaysian Prime Minister Mahathir Mohamad — a vociferous critic of currency speculation and hedge funds — moved Aug. 31 to rein in trading in currency and stock markets.

Foreign fund managers have been paralyzed not just by the new rule that forces them to hold on to their ringgit for a year, but also by rules that blocked them from selling shares.

Before last week, a brokerage firm could list itself as a nominee for an investor buying or selling shares. Last week, Malaysia said it would foil speculators by requiring that separate accounts be set up at brokerages for each investor, to find out who was buying or selling shares.

Ailing Toshiba To Cut 6,000 Jobs

Compiled by Our Staff From Dispatches

TOKYO — Suffering from falling computer chip prices and a slowdown in computer sales, Toshiba Corp. said Friday it plans to slash more than 6,000 jobs, or 9 percent of its work force, in the next two years.

Toshiba said it foresees breaking even for the fiscal year ending in March 1999. Six months ago, Toshiba had predicted a profit of 40 billion yen (\$297.6 million) for the financial year. For the first half of the year, the period from April through September, Toshiba expects to lose 25 billion yen, the company said in a statement.

To become more competitive, Toshiba will trim its overall work force to below 60,000 by March 2000 from the current 66,000, partly through attrition, it said.

Toshiba will reduce its headquarters work force to 300 from 700. Directors' pay will be cut by up to 20 percent starting next month.

"I consider the company is in pretty bad shape," the company's president, Taizo Nishimuro, told a news conference. (AP, Bloomberg)

Ford Pulls Out of Kia Motors Auction

Agence France-Press

DEARBORN, Michigan — Ford Motor Co. said Friday it was withdrawing from the second auction to acquire failed Kia Motors Corp. and its sister company, Asia Motors.

"Although we still believe that a Ford-Kia alliance was in the interest of both companies, as well as for the nation of Korea, we are unwilling to take control of a company that is

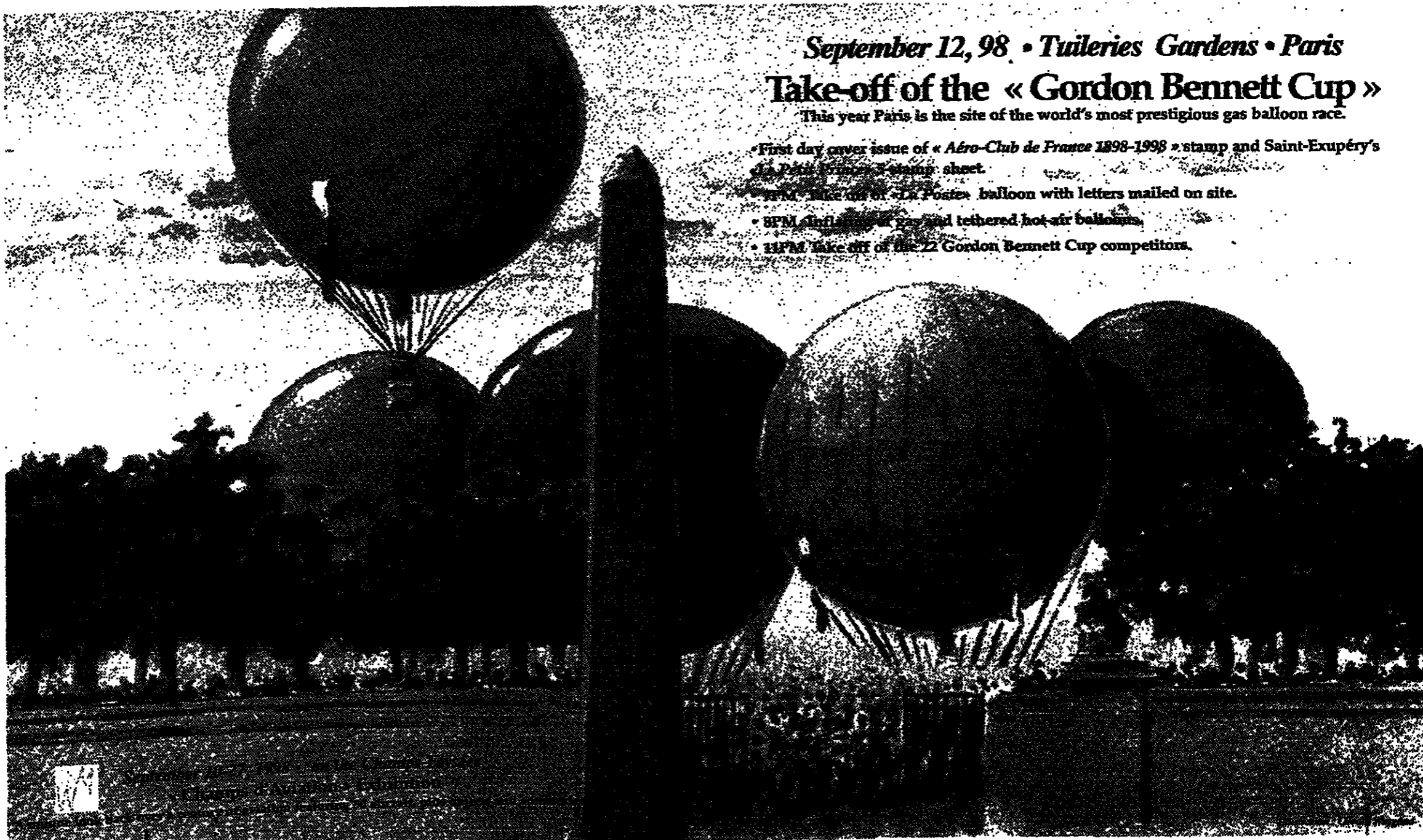
saddled with an unreasonably high amount of debt," said the Ford vice chairman, Wayne Booker.

Ford was the only foreign automaker to participate in the second auction for Kia. A first round of bidding was called off 10 days ago after bidders demanded write-offs of the failed companies' debts, which have been estimated at up to 13.6 trillion won (\$100 billion).

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MONEY

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Employment Heavyweights

1997 data in U.S. dollars

	Number of employees, thousands	Sales/employee	Net income/employee	Assets/employee
Wal-Mart	825	\$142,980	\$4,270	\$55,010
General Motors	608	298,800	11,020	378,500
Siemens	386	154,011	3,446	141,286
Ford Motor Co.	364	422,180	19,020	766,980
Gazprom	362	64,328	17,970	300,243
Hitachi	331	194,440	76	N/A
Daimler-Benz	300	229,838	14,989	254,011
Sears Roebuck	296	139,510	4,910	130,740
Unilever	287	170,000	13,569	110,320
Columbia/HCA	285	81,820	1,330	95,660

Source: Bloomberg, Fortune

International Herald Tribune

Big Payrolls Are Not Big Problems; Growing Companies Need the Staff

IN THE LAST two decades, stock markets have rewarded, at least on a short-term basis, those companies that aggressively trim their staffs. Often resorting to euphemisms such as "downsizing" and "re-engineering," companies have sent tens of thousands of employees out into the job market as they seek to raise their productivity.

This tactic does not play well in the union halls, obviously, but for an investor, the question is whether big is always bad in terms of staffing. The answer, it seems, is "not always."

To explore this topic, the Money Report looked at the 10 biggest publicly held employers around the world as measured by Fortune magazine as part of its Global 500 issue. The list comprised three automakers, two electronics companies, two American retailers, a dry-goods maker, a hospital chain and a natural gas concern. While some seem obviously overstaffed, others seemed to need employees to grow. Additionally, employees can form a stable bloc of shareholders, a group that will not dump its stock at the first

sign of a bad quarter nor tender its shares to the first bidder that offers 10 percent above the market price. Many of these big companies encourage employee share ownership.

Research by Mercer Management Consulting has found that among the largest American companies, those that return the most value to shareholders are the ones that manage to raise revenues and profits faster than their competitors. By contrast, those companies that raise profit without increasing sales, do less well, though better than corporations whose sales rise but whose profits stagnate.

THE IMPLICATION is that managers can better spend their time figuring out ways to grow profitably than trying to cut costs, an exercise that cannot be called out indefinitely.

Investors then, could seek out companies with large payrolls and then look to see if they are growing in terms of sales and profit. Those that meet all three requirements have the hallmarks of potentially lucrative investments.

Wal-Mart Stores

As the world's largest retailer, Wal-Mart Stores Inc. also boasts one of the largest employee populations: a staggering \$25,000 at the end of last year in an expanding global empire of 3,400 stores.

Even more impressive is that Wal-Mart's sales per employee have grown to \$142,980 from \$127,550 four years ago, when the discount giant had a mere 528,000 workers.

"It's one of the most important measures of productivity, and Wal-Mart is simply one of the best in the industry," said Asma Usmani of Edward T. Jones, the St. Louis brokerage, who watches sales-per-employee trends as part of her valuations of retailers.

Ms. Usmani suggested a comparison with K-Mart Corp., the third-largest U.S. retailer after Wal-Mart and Sears, Roebuck & Co. After years of misguided diversification from its core discount business, K-Mart is selling specialty units that offered everything from books to auto parts, and closing more than 200 stores; it shed 46,000 employees in the past two years. Although trending upward, its \$123,330 in sales per employee is still well below Wal-Mart's.

Such numbers are by no means the only factor in an analysis. Most analysts look first at same-store sales, a comparison of revenue among sites that were open in all periods being studied.

Wal-Mart also comes in at the top in that category. It turned in one of the best same-store sales numbers for August, up 7.6 percent, leading the discount category and trouncing the more-expensive department-store group.

What sets Wal-Mart apart, say its fans, is an extraordinary array of merchandise, ranging from groceries (it is the second-largest U.S. food retailer) to apparel and small appliances. Coupled with that are bargain prices and a service level not generally associated with dis-

counters, including customer-friendly store layouts and greeters who help shoppers find things. "They're renowned for their productivity, bringing down prices, which brings in more traffic and gives better leverage on expenses," said Ms. Usmani.

Not surprisingly, Wal-Mart stock has been a winner as well. A hefty 40 percent of its 2.2 billion shares outstanding are owned by management and directors. Employees participate through profit-sharing that is 70 percent invested in Wal-Mart stock, and a plan that allows typical workers to buy up to \$1,800 in stock annually at a 15 percent discount to market price.

Mr. Sam gave management a stake even before Wal-Mart went public in 1971," said Steve Hunter, a company spokesman, referring to Sam Walton, the company's founder. For those employees who wanted up to \$1,550 to buy 100 shares at the initial public offering and held on, the returns have been spectacular: more than \$6 million.

—JUDITH REHAK

General Motors

The last thing executives at General Motors Corp. need to be reminded of is their employees' headcount. The world's biggest automaker is recovering from a costly 54-day strike by the United Auto Workers union, fueled by disagreements over job preservation and productivity.

Even though GM's worldwide employee population has slipped by more than 100,000 in the past three years, to 602,000 at the end of March, its bloated headcount of roughly 287,000 workers in the United States makes it the highest-cost American producer, a major drawback in a brutally cost-conscious industry. "Analysts look at the UAW headcount and think their hands are tied," observed James Kelleher, who follows the industry for Argus Research in New York.

Part of GM's problems date back to a

1996 UAW contract with Ford Motor Co. Not only did it protect the jobs of existing union workers, it preserved roughly 95 percent of the actual positions. Traditionally, the first automaker to settle with the union sets the guidelines for the others. In 1996, Ford and Chrysler Corp. had already managed to reduce their headcount by outsourcing significant chunks of their work, but GM had not. "It was like musical chairs, and GM was left without a chair," said Mr. Kelleher.

Nevertheless, GM posted a record profit of \$6.7 billion last year. Like Ford, its U.S. revenue was boosted by light-truck sales, which rose 4 percent and have healthy profit margins, even as its car sales fell 3 percent.

GM did its fair share of cost-cutting. But its efforts to improve productivity by its workers have often stumbled, the legacy of a history of acrimony and mutual mistrust between the company and the union.

"Right now, it's a much harder pill for employees to swallow when GM is posting record earnings but arguing they aren't competitive enough," said Edgar Falter, an auto analyst with Oldie Discount Corp., a Detroit brokerage. "Ford and Chrysler were able to do that when we were in the middle of a recession, and it was a life-or-death thing."

Nevertheless, Mr. Falter has a buy recommendation on GM, in part because he expects its most significant effort to reduce its labor force and improve productivity will move forward. The company plans to spin off Delphi Automotive Systems, its auto-parts business, an event he said was not reflected in GM's stock price.

The Delphi spin-off would lower fixed costs at General Motors, make it less reliant on the UAW, and create the world's largest auto supplier which would do business with GM and non-GM customers. Mr. Falter estimates that Delphi is worth roughly \$12 to \$15 a share to GM shareholders.

—JUDITH REHAK

Siemens

From a staffing perspective, Siemens AG has two problems: It has too many employees, and too many of them work in Germany, where wages and benefits are high. The German conglomerate recently announced a 10-point restructuring plan, but the points were only sketchily presented, and it was unclear if there would be a significant staff reduction. Analysts consider this vital, and so their response to the plan was tepid. "There are a large number of unknowns within Siemens' plan to restructure," analysts at Salomon Smith Barney observed. "Management has given no firm indication of what it intends to do, when, and at what cost."

The last part is critical because Siemens suffers from a "high cost base, especially in Germany," the analysts said. "Without significant headcount reduction or relocation, a competitive disadvantage will remain."

That deficiency has kept the stock flat over the last year, as the rest of the German market has bounced higher. It traded last Friday at 110 Deutsche marks (\$64.70), down slightly from 111.50 DM a year earlier.

Analysts at Morgan Stanley Dean Witter & Co. expressed similar disdain,

calling the plan "strong on buzzwords but short on details and practicalities."

Siemens' announced program pales in comparison to "the great restructurings of the recent past" among European conglomerates, notably Alcatel SA of France and Philips NV of the Netherlands, the analysts remarked. They noted that the plan set forth no clear performance targets. That might not matter, for they also said that Siemens had a history of failing to meet targets when they have been set.

David Potts, a fund manager at Guinness Flight Hambro specializing in European equities, saw an ulterior motive in the announcement. "I'm unconvinced the 10-point plan amounts to anything concrete," he said, calling it "an investor-relations device used to prevent a calamitous fall in the share price when results are announced." That will be in November, two months after Siemens' financial year ends.

Some of the investors that the company is softening up are its employees, although it is hard to know how many. A Siemens spokesman, Eberhard Dombek, said that employees can buy stock at a discount and most hold it for six years. The number who do so is "a private matter," he said, adding that because they can sell in the market after

the lock-in period, Siemens could not know precisely what portion of shares are in employees' hands.

The difficulty in restructuring Siemens is that it is hard to know what to restructure it around. It is a jack of many trades and master of few. While rivals have renewed themselves around a core business — such as telephone equipment for Alcatel — there is no obvious candidate to serve as Siemens' anchor.

"Siemens is nothing if not diverse," Salomon's analysts politely said. Then, in a departure from the delicate phrasing that is customary in such reports, they added: "Trading is truly awful in many areas."

These include semiconductors, transportation and mobile phones. With little clear prospect of reducing staff or acquiring new businesses around a core, the key to renovating the company will be to shed the worst of the existing lines, the analysts said.

—CONRAD DE AENLE

Ford Motor

In keeping with its position as the world's largest truck maker and the No. 2 maker of all automotive vehicles, Ford Motor Co. counted 363,892 employees at the end of last year.

It is a fair bet that most of them will

Continued on Page 19

Fund Expenses Add Insult to Injury

AS STOCK PRICES have plummeted in recent weeks, so have the returns of mutual funds. But there is a difference: Funds add insult to injury by charging shareholders fees and expenses — often steep — in good times and bad.

Between Aug. 14 and Thursday's 249-point decline in the Dow, the average U.S. growth-stock fund went from having a positive return of 8 percent for 1998 to having a negative return of 3 percent, according to Lipper Analytical Services Inc.

Consider the typical fund that is down 3 percent right now. Roughly one-third of that loss comes from costs imposed by the fund.

That is a painful bite, especially compared with the recent past. In 1997, for instance, Gabelli Westwood Equity Fund returned 29.6 percent after expenses of 1.6 percent. So a \$40,000 account would have made \$11,840 in profits after the fund took \$640 in expenses. This year, the same fund has lost 3.8 percent. If it ends 1998 with that loss, then expenses for a \$40,000 account will be roughly the same \$640, but a shareholder will be suffering a \$1,520 loss at the same time.

In a year your mutual fund is returning 30 percent, you are not likely to pay much attention to the fees it is charging you. But, in a year like this, with the average fund barely breaking even, expenses suddenly loom large. In fact, they are always important.

Consider two funds. Each produces a gross average annual return of 12 percent a year, but one has an expense ratio of 2 percent of assets; the other, 1 percent. So, in one case, the investor pockets 10 percent; in the other, 11 percent.

After 30 years, an investment of \$10,000 in the high-expense fund becomes \$174,000, but the same \$10,000 in the fund with an expense ratio of 1 percent becomes, thanks to the miracle of compounding \$229,000 — or nearly one-third more.

But don't you get what you pay for? Aren't higher expenses worth it to fund investors, the way that higher legal fees are to clients? Studies say no.

I asked researchers at CDA/Wiesenberg Inc., a Rockville, Maryland, firm that tracks mutual funds, to compare fees and performance. They found a surprising relationship: the higher the expenses, the lower the returns, all the way down the line.

For example, a sample of 704 general-equity funds that charged expenses of between 0.51 percent and 0.99 percent had annual returns over the past three years averaging 21.1 percent. But the 749 funds that charged between 1.50 percent and 1.99 percent had returns averaging just 18.7 percent.

James K. Glassman ON INVESTING

Notice that the difference in returns — 2.4 percent — is much larger than the difference in fees alone, which averages 1 percent. So, not only are low-expense funds cheaper, but they are apparently better managed.

An analysis earlier this year by Financial Research Corp. examined the performance of U.S. mutual funds ranked with four or five stars by Morningstar. "On average," the study found, "stock funds that charge the lowest fees normally generate the highest returns over time."

For example, in the large-blend category (with portfolios that have both growth and value stocks, in roughly equal measure), the average return for funds in the quartile with the lowest expenses was 27.4 percent. The average returns for funds in the quartile with the highest expenses was 24 percent.

For small-cap funds, the discrepancy was even broader. The low-expense quartile averaged total returns of 151 percent over five years, but the high-expense group had returns of just 119 percent.

"The results of our analysis," reported Financial Research, "support the general theory that fund expenses erode performance. The extent to which that erosion occurs, however, is striking."

There are, of course, exceptions. The firm points to Legg Mason Value Fund and the Tarray Fund, two of its own favorites, which "have earned top-decile (highest 10 percent) perfor-

mance across one-, three-, and five-year periods while charging expenses that are higher than more than half of their respective Morningstar peers."

But then consider a fund like Kaufmann, which underperformed the Standard & Poor's 500 Index by an average of 8 percentage points annually from 1995 to 1997 while charging an expense ratio of a lofty 2 percent. Kaufmann is down 18 percent so far in 1998.

Why do so many investors buy high-fee funds? They have no one to blame but themselves. Expenses are reported by Morningstar and Value Line and in every fund prospectus. Or just call your current or prospective fund and ask.

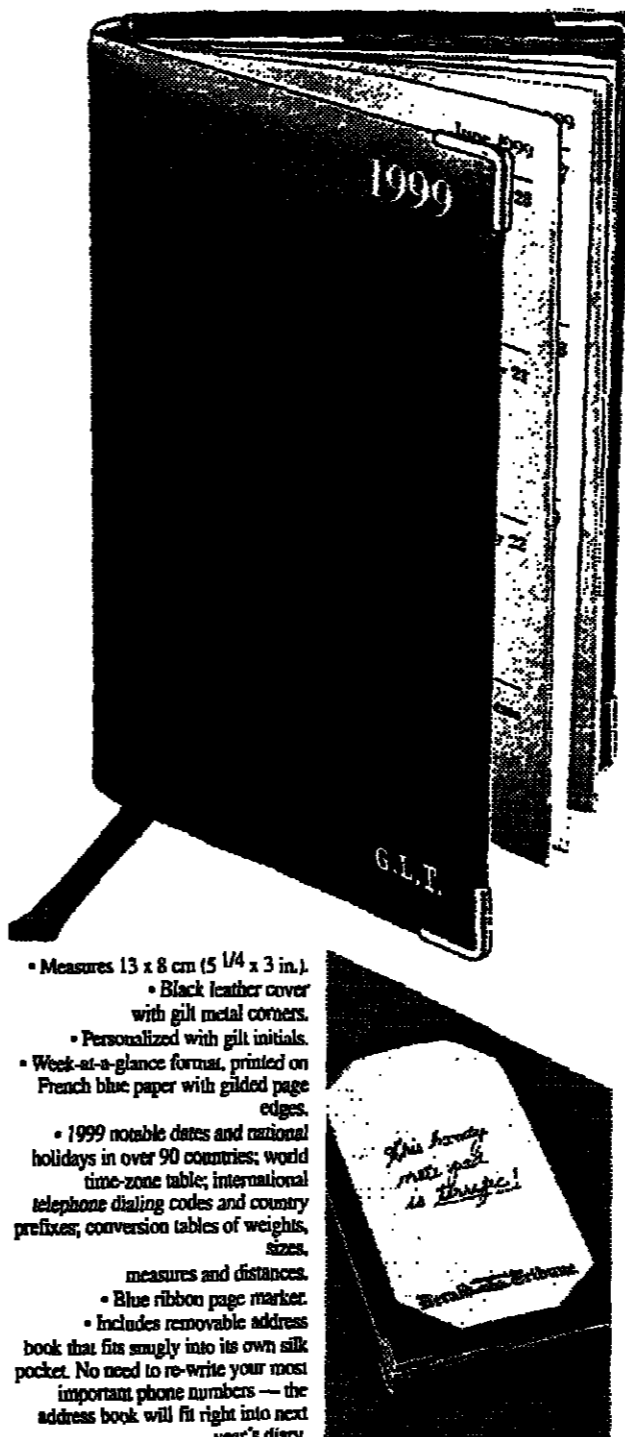
A 1996 study by the Investment Company Institute, the trade group for U.S. mutual funds, asked recent buyers what information they reviewed before they made their purchases. Leading the list was the fund's performance, at 75 percent of respondents; next, risk, 69 percent. Fees and expenses ranked fifth, at 43 percent.

The irony is that investors can actually control the fees and expenses they pay, while they can't possibly control the return their fund will provide them — nor the risks the manager will take.

The funds with the lowest expenses are funds that aren't managed by humans but instead hew to an index, which is a basket of stocks assembled to reflect the market or a segment of it. These funds have done very well in recent years. The largest is Vanguard Index 500 Portfolio, which tracks the S&P 500 Index, a proxy for the large-cap part of the market.

The expense ratio for Vanguard Index 500 last year was a mere 0.17 percent. But Vanguard has a low-expense policy even for its managed funds. Vanguard Growth and Income, ranked "1" by Value Line, had an expense ratio of just 0.36 percent last year, or roughly one-fourth that of its peers, while returning 35.6 percent and whipping the S&P by more than two points. Vanguard Windsor II, another fund with a "1" rating, charged 0.37 percent last year and returned 32.4 percent.

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Abstract

References

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SPORTS

Kile's 2-Hitter Puts Finish on Rockies' Sweep

The Associated Press
Darryl Kile pitched a two-hitter and Dante Bichette homered as the Colorado Rockies completed a four-game sweep of the Florida Marlins with a 3-1 victory in Denver.

Kile, 0-2 in his last three starts at Coors Field, allowed only a bunt single by Luis Castillo in the third inning and a triple by Todd Dunwoody leading off

BASEBALL ROUNDUP

the ninth in Thursday night's game. Dunwoody scored on a groundout by Edgar Renteria. Kile (11-16) struck out four and walked two.

Bichette, who had a pair of hits and extended his hitting streak to 12 games, began Colorado's sixth with his 21st homer of the season, a line drive over the left-field fence off the Florida starter, Rafael Medina.

Medina (1-3), in his fifth start since being recalled from Triple-A on Aug. 19, worked seven innings, allowing three runs on nine hits.

Dodgers 4, Padres 3 In San Diego, Kevin Brown pitched six perfect innings before allowing four runs in the seventh as Los Angeles rallied to ruin yet another San Diego no-hit bid.

Brown (18-6) failed to become the NL's first 19-game winner, but he did set San Diego's single-season strikeout record with 238 by fanning 11.

Chan Ho Park (13-8) won for the eighth time in nine decisions. He struck out 10 and walked a career-high seven, allowing five hits and three runs in seven innings.

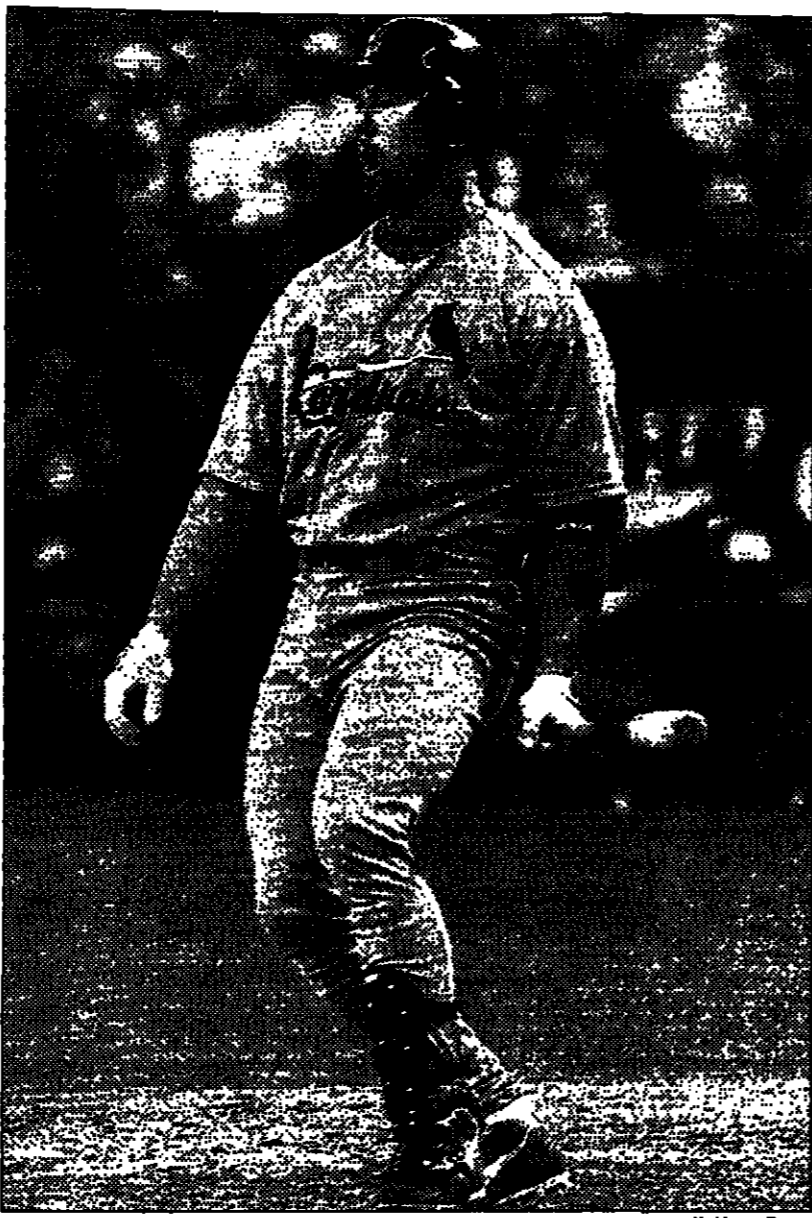
Cardinals 8, Reds 7 Mark McGwire tied Barry Bonds' NL record of 151 walks by drawing two more, but his record home-run total stayed at 62 as visiting St. Louis beat Cincinnati. He also struck out twice and popped out, leaving him without a homer in two games since breaking Roger Maris' record.

Braves 7, Expos 4 In Montreal, Javy Lopez hit a three-run homer and Kevin Millwood became the third Atlanta pitcher to win 15 games as the Braves ended a three-game losing streak.

Lopez hit his 33rd home run, a shot off Mike Thurman (3-4) in the third inning that gave the Braves a 5-1 lead.

Millwood (15-8) allowed four runs and nine hits in 6 1/2 innings. Tom Glavine has won 18 games for the Braves and Greg Maddux has won 17.

Cubs 5, Phillies 2 In Chicago, Sammy Sosa's home run drought reached five games, but that did not keep the Cubs from beating Pittsburgh to stay tied with the New York Mets in the NL wild-card



Mark McGwire letting his feelings show after striking out in the third inning in Cincinnati. He went hitless, leaving his home run total at 62.

chase. Sosa, stuck on 58 homers and trailing Mark McGwire by four, went 0-for-2 with a pair of walks.

Chicago got strong pitching from Kevin Tapani and key hits from Mark Grace and Brant Brown in a five-run third inning. Tapani (18-7) allowed eight hits in eight innings and won his sixth straight decision.

Mets 7, Phillies 5 Mike Piazza continued his torrid hitting with a three-run homer and a double, and Al Leiter pitched seven strong innings as the visiting Mets defeated the Phillies.

The Mets took a 5-0 lead in the first inning on Piazza's 30th homer and Rey Ordonez' two-run double. In his last 15 games, Piazza is 27-for-50 (.540) with seven home runs and 19 RBIs.

Leiter (15-5) gave up two runs and two hits, struck out eight hitters and walked two in six innings, an impressive performance.

Astros 7, Brewers 4 In Houston, Shane Reynolds tied a career high with 12 strikeouts and hit a two-run single as the Astros won their sixth straight.

Houston lowered the magic number for clinching their second straight NL Central title to four.

In the American League:

Yankees 6, Blue Jays 5 In New York, Paul O'Neill hit two home runs and the Yankees overcame another shaky outing by Andy Pettitte.

With their 103rd victory, the Yankees, who clinched the AL East on Wednesday in Boston, opened a 21-game advantage over the second-place Red Sox, the largest lead a Yankee team has ever enjoyed at any time in a season. Pettitte (16-9) allowed five runs in six innings.

Jose Canseco hit a three-run homer for Toronto, which fell five games behind the Boston in the AL wild-card race.

Learning to Live in Murdoch's Realm

International Herald Tribune
BOSTON — Alex Ferguson's job should be safe at Manchester United, at least for another year.

Ferguson has easily been the best club manager in England in the 1990s. But from now on, he will be working for Rupert Murdoch, or, shall we say, the presence of Rupert Murdoch. The accepted logic of professional sports will no longer be applied. For proof, see the 1998 Los Angeles Dodgers.

Before this season, Murdoch spent \$311 million to buy the Dodgers, who in the 1970s and 1980s were known as the best franchise in American sports. The Dodgers had been owned by the O'Malley family, who in the 1950s had moved the team from Brooklyn, sending a watershed signal to fans that baseball was indeed a business, not just a sport.

Before Murdoch's arrival, the Dodgers were known as a cathedral of stability.

Murdoch attended Opening Day at Dodger Stadium in April, where the home team's best player, the catcher Mike Piazza, was greeted with a thunderstorm of booing from his own fans. It was explained to Murdoch that Piazza, entering the final year of his contract, was demanding \$100 million from the Dodgers.

Other owners in American sport have in the past been intimidated by demands of such madness. Murdoch, to his credit, would not be bullied by an employee of whom he had never heard.

The method of Murdoch's response was nonetheless unorthodox. In May, one of his television operatives — Murdoch owns the Fox networks in America — was in Miami negotiating a possible TV sports deal involving the Florida Marlins baseball team. It seems that the conversation gravitated toward baseball

talk, which is normal among a couple of baseball fans, but this particular dialogue must have been especially provocative because the two executives concluded by shaking hands on a trade of Piazza for three players from the Marlins.

The general manager of the Dodgers, Fred Claire, their expert on all baseball matters, was informed of the trade an hour before it was consummated.

That kind of thing is probably not going to happen to Ferguson at Manchester United. He is too strong, too credible and highly respected, to have his job done for him by a dilettante superior.

In hindsight, the trade was like an abstraction of El Nino visited upon the Dodgers. Their payroll jumped up to more than \$57 million and yet the team was worse than ever. This convinced the new president of the Dodgers, Bob Goss, an accountant who admittedly is no expert himself when it comes to baseball, to announce in June the firings of Claire and the field manager, Bill Russell.

Never had the Dodgers ever fired their manager. It took Murdoch three months to undo that tradition.

Murdoch's people are also considering whether or not to knock down Dodger Stadium in favor of a new, more profitable stadium with luxury boxes, restaurants and shopping.

The one similarity between the Dodgers and Manchester United is their value to Murdoch as TV commodities. Murdoch bought the Dodgers in order to provide programming for Fox in Southern California. Murdoch also owns a regional network of sports channels throughout the United States, and by

buying up the Dodgers, as well as signing up the exclusive rights to televise the Lakers and other area clubs, he knocked out the plans of Disney to create a competing regional sports network.

In fairness to Murdoch, the Dodgers were in need of an overhaul. They hadn't contended for a championship since the World Series in 1988.

Manchester United is obviously in a much stronger position. It is also a much more important asset to Murdoch than the Dodgers. Manchester United is starting its own digital TV channel this season, with the apparent goal of controlling its own TV rights early in the next millennium. Furthermore, now that he is controlling the biggest club in England, Murdoch will be better able to join with Silvio Berlusconi in creating a European Super League for more money than UEFA, the Federation of European soccer, can now fashion.

So if the recent purchase of Dwight Yorke doesn't solve Manchester United's goal-scoring problems, and if the club fails to finish first or second in the English Premiership, thereby losing its place in the Champions League next season, then Murdoch — or, shall we emphasize, the presence of Murdoch — is likely to grow restless.

The truth about Murdoch is that he is no longer a man so much as he is an attitude. He owns so much and has so many projects in the works in so many different parts of the world, that he probably won't pay much attention to Manchester United — unless things go wrong.

Ian Thomson is a senior writer at Sports Illustrated magazine.

Commonwealth Games Open in Malaysia

The Associated Press
KUALA LUMPUR — The largest Commonwealth Games ever opened Friday night with brass bands, dazzling fireworks and waves of dancers at a stadium packed with 100,000 people.

Neither Malaysia's economic recession nor a political challenge to Prime Minister Mahathir bin Mohamed from a former deputy, Anwar Ibrahim, could dim the inaugural spectacle as the Games — which will feature athletes from 70 countries — came to Asia for the first time.

Before an audience that included the International Olympic Committee's president, Juan Antonio Samaranch, a welcoming message from

Queen Elizabeth II, the nominal head of the Commonwealth, was read by her son, Prince Edward of Britain.

The Commonwealth Games claim to be the most important sporting event after the Olympics, drawing together countries once linked as parts of the far-flung British Empire but now divided by culture, geography and economic status.

Formerly known as the Empire Games, the event began in 1930 in Hamilton, Ontario, with just a few dozen athletes from 10 visiting teams. The 1994 event in Victoria, British Columbia, had 3,200 athletes.

Despite a crushing financial crisis, Malaysia has relished its role as host.

Even as it scrapped billions of dollars worth of civil works, dams and railroad projects, it made sure the event was the largest Games ever by insisting on the inclusion of six new sports.

A 1.7 billion ringgit (\$449.7 million) stadium was completed just ahead of the Games, a commuter rail link was finished and more than a dozen other sports venues were built. Mr. Mahathir ensured that a new international airport was ready to receive athletes and officials.

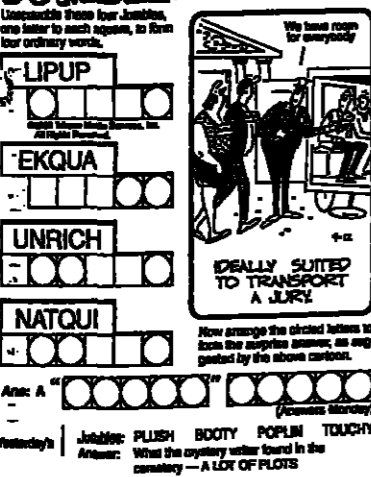
"We are treating the Commonwealth Games opening ceremony as a window to Malaysia," said the country's sports minister, Minister Muhyiddin Yassin. "We have done our best."

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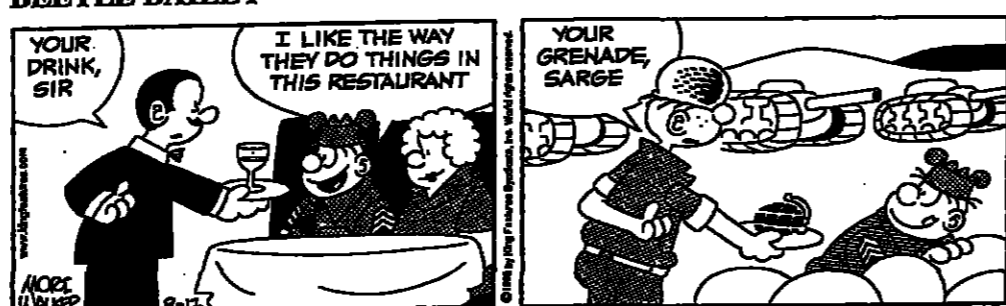
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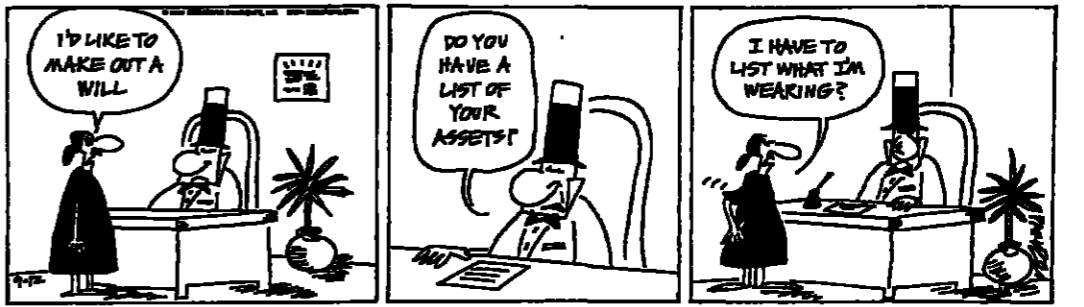
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DAVE BARRY

Ah, Fountain of Youth

MIAMI — I was at a party hosted by a younger couple, defined as "a couple that had not yet been born when I started worrying about cholesterol." You will never guess whose music these young people were playing: Bobby Darin's. Yes, Bobby Darin, hep cat swinger from my youth, is cool again!

No doubt you've read about how the Hot New Trend among "with it" 20-something people is to eschew the rock scene and pretend they're swank sophisticates living three or four decades ago — drinking martinis, going to nightclubs, dressing like the late Frank Sinatra (not the women, of course; they're dressing like the late Dean Martin), voting for Dwight Eisenhower, using words like "eschew," etc. This makes me wonder: If old things are cool, could I become cool again?

I have not felt remotely cool for a long time, thanks largely to the relentless efforts of my teenage son, whose goal in life is to make me feel 3,500 years old. We'll be in the car, and he'll say,

I am roughly equal, on the Coolness Scale, to Bob Dole.

"You wanna hear my new CD?" And I, flattered that he thinks his old man might like the same music he does, will say "Sure!" So he increases the sound-system volume setting from "4" to "Meteor Impact," and he puts in a CD by a band with a name like "Fustile," and the next thing I know nuclear bass notes have blown out the car windows and activated both the driver and passenger side air bags, and I'm writhing on the floor, screaming for mercy with jets of blood spurting three feet from my ears. My son then ejects the CD, smiling contentedly, knowing he has purchased a winner.

My point is that, for some time, I have viewed myself as being roughly equal, on the Coolness Scale, to Bob Dole. And then, suddenly, at this party, these 20-somethings were playing Bobby Darin, a singer from my youth, an era known as "The Era When There Were a Lot of Singers Named Bobby and One Named Freddy" (Bobby Sherman, Bobby Vee, Bobby Vinton, Bobby Rydell, Elvis "Bobby" Presley and Freddy "Boom Boom" Cannon).

I KNOW Bobby Darin's music. Whenever I hear his swinging version of "Oh My Darlin' Clementine" I snap my fingers in a happening "jive" manner and sing right along with these immortal lyrics: "You know she would rouse up / Wake all of them crows up."

(They don't write them like that anymore. They can't. They have been medicated.)

I remember going to a record hop — that's right, an actual record hop — in the gymnasium of Harold C. Crittenden Junior High in Armonk, New York, where they played "Mack the Knife" maybe 14 times and we all danced the Jitterbug. The Jitterbug was a dance wherein you remained in actual, physical contact with your partner — what kids now call "touch dancing." I grew up at the tail end of the touch-dancing era; after that, we started doing nontouch dances — the Jerk, the Boogaloo, the Cosine, the Funky Downtown Rutabaga, etc., wherein you strayed several feet from your partner.

Later in the '60s, songs got longer and dance standards got looser, and you often lost

visual contact altogether with your partner, sometimes winding up, days later, in completely different states. This was followed by the disco era, during which you and your partner might touch briefly, but only for the purpose of exchanging narcotics;

which in turn was followed by the "mosh pit" concept of dancing, wherein you dance simultaneously with many people, the object being to inflict head injuries on them.

So for decades, the only time you saw touch dancing was at wedding receptions, when the band — as required by federal wedding-reception law — played "Bad, Bad Leroy Brown," and guests age 73 and older would hobble onto the floor and do the Fox Trot while younger people gyrated around them.

But now touch dancing is back, and I'm excited about it, because — ask anybody who has seen me at a wedding reception after the bar opens — I can still do the Jitterbug. I can get out there on the floor and really whirl my partner around. Granted, sometimes my partner winds up face-down in the wedding cake, but that is not the point. The point is that, despite what my son thinks, maybe I am cool again.

I might put a tube and a half of Brylcreem in my hair and go to a swank nightclub. I'd saunter up to the bar, order a dry martini and settle back to soak up the scene; then, when a really "swinging" song came on, I'd get to my feet and "wow" the younger generation when I, in a suave and sophisticated manner, threw up on my shoes, because martinis make me sick. Then I'd go to bed, because I'm 3,500 years old.

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Sarajevo Director Emerges From 'Underground'

By Joan Dupont
International Herald Tribune

PARIS — Emir Kusturica, born in Sarajevo, has made films on the banks of the Danube and in the Arizona desert, won prizes at festivals and taught in New York. He may never go home.

"My best friend in Sarajevo told me, 'Don't come back, they'll kill you,'" Kusturica said. In 1995, "Underground," which depicts Yugoslavia's chaotic modern history, won the Palme d'Or at Cannes, but when the film opened in Paris, some critics attacked it as pro-Serb; the rumor stunted the film's international career and did not help his reputation at home.

"To make 'Underground,'" the director explained in an interview, "I had to survive the last 10 years, what it was like to leave Yugoslavia, and to learn the lesson of the immigrant. But my complex vision, this international view, was judged politically incorrect by certain French philosophers." The campaign against the film made him crazy, he said, and he swore he would never direct another.

Three years later, Kusturica has emerged from the dark aftermath of "Underground" with "Black Cat, White Cat," a comedy set near Belgrade and made with professional and amateur actors brimming with Gypsy gangsters, music and magic, weddings, funerals and grandfathers who die and revive.

"Gypsies and gangsters are international, and so am I. People ask me, 'Why do you always play with the same themes?' It's like asking David Hockney, 'Why do you always paint swimming pools?'"

He calls "Black Cat, White Cat" a new beginning. "This is a movie about how people never die. When my father died six years ago, I started thinking about death. Now I want to film the things that excite me about life."

He got the idea from a story he heard, about a grandfather dying in the midst of plans for a wedding and how the family decided to go



Emir Kusturica, left, who once swore to give up making films, on the set of "Black Cat, White Cat."

on with the ceremony anyway.

In "Black Cat," not one, but two grandfathers expire and are put on ice in the attic while the band plays on, the bride escapes, her gangster brother shoots up the countryside, the roof collapses and a pig calmly munches away on a decrepit car. "This is, in a way, a vision of my country, the pig eating a Trabant."

Starting with "Do You Remember Dolly Bell?" (Venice Golden Lion, 1981) and "When Father Was Away on Business" (Cannes Palme d'Or, 1985), set in the Yugoslavia of Tito after World War II, Kusturica's films with their crowded imagery — tables that levitate, brides that fly — have delved into family chaos and touched on the nerve of a country in turmoil.

"The Time of the Gypsies" (Cannes Best Director Prize, 1989), showed the filmmaker's magic way with Gypsy superstition and kitsch.

"I grew up on the edge of a suburb, near Gypsies," he said, "and I always thought they were an aristocratic people."

Even when he went to film "Arizona Dream" in the desert, he crammed the screen, not just with Cadillacs and flying machines, but with a host of images from his creative home-cooking.

"I had to learn how to match up the two worlds I lived in. Then, when I made 'Underground,'" I found new ways to say what I felt about my country. My understanding of the world and what happened is my own: Yugoslavia was formed by the Allies after the war, and then destroyed by the Allies when they had no more need and saw no reason to fight for a multiethnic country. The bottom line is, had I been in Sarajevo when war broke out, I never would have made 'Underground.'"

"Black Cat," which opens in France at the end of September, is being screened at the Venice and New York Film festivals.

"I expect a good reaction," he said. Since his first prize at Cannes, the filmmaker has been a favorite with the international press that discovered him, tall, pale and disheveled, a refugee from the collapsing Eastern world, with his loopy walk and halting English. His film spoke for him. Milos Forman got him a teaching job at Columbia in New York, and his life away from home began.

Today he is tanned, fit, with glint in his eye and a jaw that speaks of determination. Although he lives in the Marais area of Paris, he prefers English to French, an English that he still gropes for, diving for the latest and most correct expression, coming up with a mix.

"I'm into literature. I am writing a book for a French publisher, in Serbian. It will be 12 stories that

cover important times in my life — everything I've heard from my family, the sources of whatever I do."

Born into a family of nonpracticing Muslims, the director says his father's background was Serbian. "My ancestors converted when the Ottoman Turks invaded. I always say I am Yugoslav, but when you say that today, people say, this is a dinosaur speaking." His home environment was very Slav, he says, with multiracial influences. "I always read a lot; I get instant images from literature."

"Arizona Dream" was inspired by "Catcher in the Rye" by Isaac Babel's short stories. "Babel wrote about criminals with a fatal flaw, that's what got me. There were criminals like that around where we lived, emotional men with big hearts, the heroes of my youth. I think that today, we're less bound by ideology and religion — utopia is out — and we're ready to accept evil properly."

He loves his gangster hero, played by Srdan Todorovic, an actor from Belgrade, and enjoys Quentin Tarantino's films, with their campy criminals. As much as he dislikes most Hollywood movies and what he calls "the artificial world of cinema," he relishes American films of the '30s, '40s and '50s, "melodramas that show great human emotions."

For the first time he will adapt a film from a book, shooting D.M. Thomas's "The White Hotel" in Montenegro with Juliette Binoche as the exiled heroine. "Good material," he agreed, "all my characters are hysterical anyway, or I make them hysterical."

He doesn't know why he became a director instead of a writer or musician. "But I remember how my mother used to walk five to six miles to find what she wanted at the market. When she appeared in shops miles away from home, people would say, 'Hello neighbor. I think I'm like her, and maybe this persistence is more important than talent these days.'"

PEOPLE

THE stage turned into a soapbox at the MTV Video Music Awards as a Beastie Boys member condemned U.S. foreign policy and the R&B singer Wyckle Jean attacked the film "Stella Got Her Groove Back" for an AIDS joke. Madonna was the top winner with six awards, including video of the year for "Ray of Light" in an evening that was about as political as an Academy Awards ceremony. Madonna, who sang "Ray of Light" in a virtually transparent shirt, won five trophies for the "Ray" video and one for her "Frozen" video, while the Backstreet Boys won the best group video award for "Everybody (Backstreet's Back)." Jean accepted the R&B video award for "Gone Till November."

A judge has found Alec Wildenstein, the art dealer whose family trades in Old Masters, in contempt of court and ordered his arrest for failing to pay his estranged wife, Jocelyne Wildenstein, \$452,000 in court-ordered alimony. But the New York State Supreme Court delayed imposing the order until Wednesday because

Wildenstein was believed to be out of the country. The Wildensteins, whose marital problems have generated almost as much interest as the considerable cosmetic surgery Mrs. Wildenstein has undergone, are divorcing after nearly 20 years of marriage, a luxurious lifestyle and travel between their New York town house, ranch in Kenya and chateau in France.

The writer Isabel Allende is the recipient of the 1998 Dorothy and Lillian Gish Prize, given annually for excellence in the arts. The award consists of a silver medalion and a cash stipend of about \$200,000. She will receive the award from Homero Aridjis, president of the writers' group International PEN on Oct. 13 in New York. Her first novel, "The House of the Spirits," depicted a brutal period of Chilean history. Her latest book is "Aphrodite: A Memoir of the Senses." Bob Dylan received last year's prize.

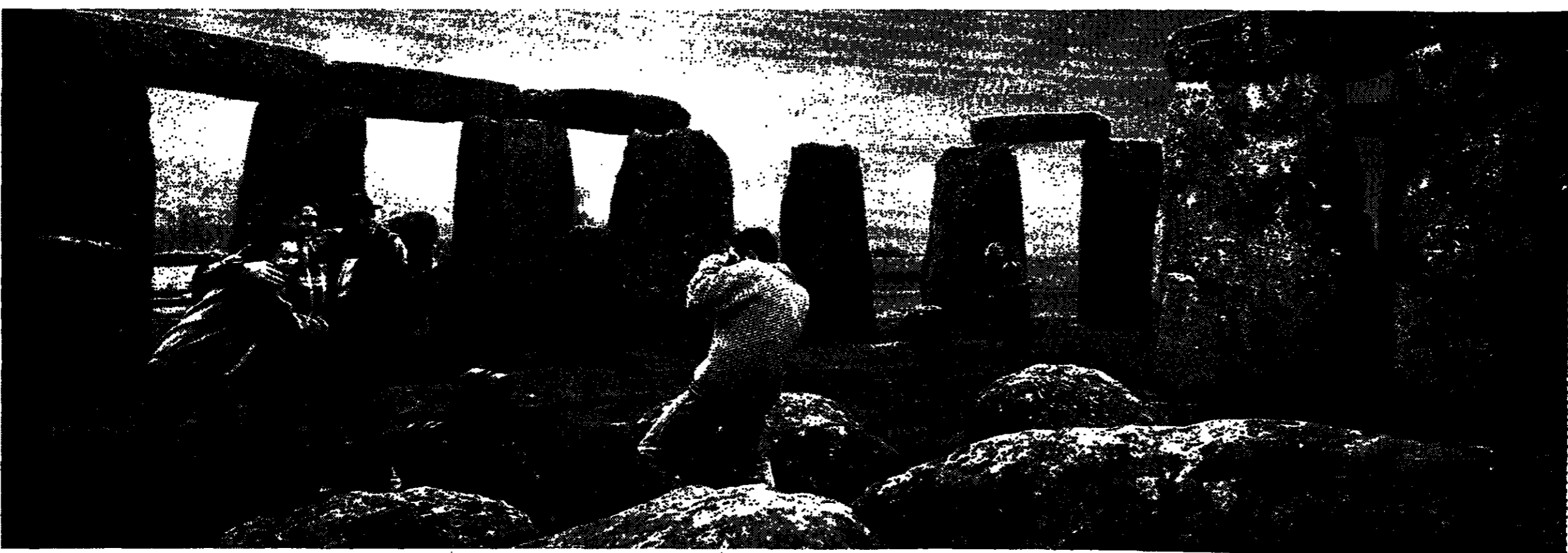
The Stone Pony in Asbury Park, New Jersey, is nearing its last ride. The music

club that used to feature New Jersey acts like Bruce Springsteen, Jon Bon Jovi and Southside Johnny is calling it quits and reopening as Vinyl, a dance club. The Stone Pony will go out with a series of shows Sept. 18-20. The owner, Steven Nasar, said bands had become hard-core and crowds too rowdy. "The days of Bruce Springsteen-type of rock and roll are gone," Nasar said. The Stone Pony opened in 1974.

Martha Stewart, the role model for millions of American women, has canceled a segment of her television show that featured President Bill Clinton. The Friday broadcast of her daily show, "Martha Stewart Living," was to have been devoted entirely to a lunch visit by Clinton. Taped in June at Stewart's studio in Westport, Connecticut, the get-together was to have been the crown jewel of the show's sixth-season premiere week. But after Clinton's troubles over his testimony in the Monica Lewinsky affair, the president got the hook from Stewart and her staff.



Madonna, the top winner, with one of the six figurines she took home from MTV Video Music Awards.



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